

2007 Opening Keynote
Gary Shapiro
CEA President and CEO
The New Convergence

Monday, January 8
8:00 a.m. (no later)
The Venetian, Palazzo Ballroom
Contact: Kelly Ricker

Welcome

Our story and soon our history is one of change.

The International CES is about change. It showcases transformative technologies. Each year seems to outdo the prior in the creativity, scope and novelty of the inventions displayed in the energetic halls of the CES.

This year, we received a record number of Innovations entries. This CES hosts more exhibitors in more space than ever before. 2,700 exhibitors in 1.8 million net square feet of exhibit space. 23 TechZones showcase new technologies. Reporters tell us they have never seen so many product announcements. And we project that 2007 will be another record year for our industry with more than \$155 billion in sales.

What almost all of these products, technologies and announcements have in common is that they change the status quo. They create something new, and by doing so they challenge something old. They give consumers a new choice. They empower access to content. They create new products and services. They breathe new life and features into familiar products. They take content or services and allow them to be shifted to screens of all sizes and locations close to home or far from it.

For years, we talked about converging products. [pause]
What defines the 2007 International CES is that it is about the “new convergence”: the convergence of content, services and products.

The CES has become the breeding ground for the newest, coolest and most important technology, services and content.

The CES is an umbrella event – covering this new convergence. It showcases the world's best technology companies showing their latest and best products and concepts. But it also attracts the leaders from the entertainment, music, broadcast, cable, satellite, communications and transportation industries.

Digital technology is fundamentally changing the world. It is fostering this new convergence. We are at the starting line, but our teammates include content producers, programmers, software companies, service companies and broadband providers.

This new convergence is reflected in our keynoters. CBS and Disney provide great content. They are experimenting with the new convergence. CBS is inking partnerships and Disney is making its hot TV shows like *Desperate Housewives* and *Lost* and movies like *Cars*, available for download for time-shifted viewing, on the go or on a big screen.

One author said it well: “Disconnecting from change does not recapture the past, it loses the future.”

Over the 40 years of CES, technology has changed and challenged other businesses.

Cable challenged broadcast. Then satellite entered the fray. Fiber, wireless and soon powerline also will compete to be the dominant home broadband provider.

The VCR changed how we watch TV. The DVD, HDTV and Dolby surround sound shifted the theater into the home.

The digital camera changed how and where we take pictures and how we share them. The new convergence is not only the camera phone, but also sharing experiences through the power of the Internet in real-time or printing them out in vibrant color from your desktop.

Word processors aced typewriters and calculators killed slide rules, but soon both lost to the PC. The Internet connected us all and changed the rules for booksellers, travel agents, stock traders and anyone who sells anything.

In the world of sound, FM grabbed market share from AM. CDs displaced albums. But MP3 and satellite radio and soon HD radio are seizing market share. Soon, wireless Internet in the car will increase consumer choice and challenge these other businesses. With the new convergence, the winning audio services will mesh with weather, mapping, video and other information and entertainment relevant to the mobile consumer.

Ten years ago when we first talked about convergence, we debated whether the TV or PC would dominate. Today that battle is over with nanotechnology, sensing devices, biometrics, optoelectronics and robotics part of the new convergence. They will combine with existing technologies and allow benefits, just as audio, photo, calendar, contacts, GPS, and even telephone and email connectivity are meshing into products. IPv6 will be a feature in every product allowing seamless Internet connectivity and making the world safer, more connected and more attuned to our preferences and desire for efficiency.

These changes and others require us to be smart, fast and flexible. We are dazzling consumers with the logarithmic speed of change. We must help consumers understand these changes. That's why CEA partnered with CNET to develop myCEknowhow.com, an interactive website with specific modules on digital television, MP3players, audio, digital imaging, mobile electronics, home networking and wireless. That's why we are partnering with the broadcast and cable industries to explain the analog cut-off. That's also why we partnered with the band Three Doors Down in our Great Audio Campaign to help consumers understand that good audio enhances the video experience.

New products and technologies challenge old businesses but create new opportunities and partnerships. Technology and the products our industry creates are driving the greatest economic expansion in our history. They are raising the standard of living and improving our efficiency, and allowing us to enjoy content where we want and when we want it. They have created and are still creating millions of jobs and thousands of millionaires. Some 90 of the Fortune 400 richest Americans can attribute their fortune to creating or selling software, hardware or services related to consumer electronics products.

What often determines individual, corporate and even national success? The ability to adapt to change.

And our industry is defining the nature of change. Our technology gives new powers to consumers: to create, to meld, to invent, to play, to watch and to enjoy content any time or place.

Indeed, camcorders, digital cameras, PCs and the Internet, combined with intuitive software have democratized creativity and created a Renaissance of experimentation in new forms of video and music. This is truly a “new convergence” which includes technology, services, and content created by both traditional and non-traditional players, including consumers. You Tube and My Space were the stories of 2006 proving the power of consumer-created content. I can only guess at which fledgling new service will be the story of 2007 – but I am confident it will meld service with content and CE technology.

And what about down the road? How far will the advances in storage, transmission, broadband, display, search, transfer, and other rapidly growing customization, personalization and recognition technologies take us? Our digital world is a world of opportunity. It is a global opening of the American dream and it rewards the clever who can think outside the box. Come up with a new service, application, technology or content which solves a problem, improves efficiency, entertains or delights and you will be rewarded with fame, fortune or both.

We are entering a world where soon anyone can access what even the rich could not obtain just a few years ago. It is a marvelous world of opportunity, knowledge and immediacy. It is a smaller world and it is a better world.

Twenty-five years ago, Daniel Bell said, “Technology is a soaring experience of human imagination”.

That imagination and this new convergence deserve to go far and we must be so careful we do not put limits on them simply because they are different and change the world and the businesses we knew a generation ago.

The biggest area of contention today is that of intellectual property. For more than two decades, I have led a team of great industry advocates fighting proposals that would restrict, tax, ban or hobble our technology. We have not been entirely successful. Small and large companies now face

debilitating lawsuits. Consumers are frustrated. Venture capitalists say it is too risky to fund companies that shift content in time, place or location.

We agree that content creators must be compensated. We understand and share the aversion to those that steal content without authorization and resell it. Commercial piracy is wrong. But we draw a different line on what is acceptable in the home. We believe consumers should not be in legal jeopardy if they do something with lawfully acquired content and keep it in their home. We believe that consumers have rights and that the copyright laws need to be changed to reduce potential damages for companies launching new products where the copyright law is unclear or where the inventor does not intentionally or directly infringe copyrights.

That's why we launched the Digital Freedom Campaign. The Campaign is clear that consumers have certain rights. These are common sense rights and are supported by many respected groups. Indeed, a growing group of innovators, artists, students and consumers know that they have a stake in the IP debate. The digital revolution provides new opportunities for artists to create, distribute and sell their works, but this revolution is not a done deal. It can be thrown off course if we smother the ability of technology to progress. We are at risk of not only restricting good, new helpful technology in ways we cannot envision, but this same technology is allowing anyone to be an author, filmmaker or broadcaster.

Piracy is wrong. But ordinary consumers are not pirates, and private conduct may be unauthorized – but that does not mean it is piracy. Consumers have the right to use technology, to benefit from innovation and to access entertainment while making sure that artists are properly compensated.

That's why we hope to support legislation which would protect consumer's fair use rights and reduce the absurdly high penalties for innovators.

We want to ensure that the type of innovation you see at CES with the new convergence will continue for years to come.

As one philosopher described our technological destiny: “In the end we will listen to the voices of the machines. There is no choice. We will not go back to candles while the great shining wheels are there to bring us light.”

We share this extraordinary moment in the digital revolution. We are surrounded with technological wonder and bounty and with this new convergence are shifting to a higher level and a better world. This new world not only converges, technology, services and content, but it offers opportunity, creativity, safety, energy efficiency and the benefits of the shared human experience.

The CES is a celebration of the triumph of technology. But we owe it to future generations to allow technology to grow, to help, and to wander in ways we cannot predict and should not control. We owe it to our consumers today to protect their clear legal rights. So please stand up for Digital Freedom and visit the Digital Freedom booth in the Las Vegas Convention Center main lobby.

And now, I am happy to introduce to you our featured opening keynoter this morning. Motorola exhibited in the very first CES in 1967. As we celebrate the 40th anniversary of CES, it is fitting to kick-off the 2007 show with a company that has supported CES every one of those 40 years!

It has been three years since Ed Zander arrived in Schaumburg, Illinois. As chairman of the board and CEO of Motorola since January 2004, he has reorganized the company and introduced a slew of new products. Before that, he served as president and COO of Sun Microsystems, building the company into the top supplier of network infrastructure. While at Sun, he also was a featured CES speaker.

With more than 25 years in the technology industry, his focus has been on innovation and operational efficiency. He calls Motorola a great global brand with even greater potential. The company's 75-year history includes a tradition of innovation, a rich portfolio of patents, a talented team of technologists and a passionate commitment to R&D.

Motorola's products have changed over the years. Motorola has been the leading provider of two-way radio services to public safety, government, transportation, utility and manufacturing enterprises. Its digital cable set-top terminals and cable modems deliver the promise of the connected home just as its home radios did in the 1930s. Motorola also has developed sophisticated microprocessors for a range of products, from some of the first video games to advanced digital cameras. Motorola has changed the way the

world communicates, from the first cell phone in 1983 to today's sleek mobile handsets.

Under Zander's leadership, Motorola has increased its share of the global mobile phone market from 13 percent to 22 percent. Motorola's diversified product line and pipeline, market share gains, new product introductions, hip brand and on-going margin expansion position it favorably in an industry that ships close to a billion handsets a year.

Motorola has great ambitions to leverage the mobile Internet and create even richer media experiences for consumers.

We're going to bring out Ed in a second but first watch this.

[Video]

Ladies and gentlemen, please welcome Motorola's Chairman and CEO – Ed Zander!

1/7/07