

I have a vested interest in seeing HDTV take off. Every new HDTV set sold is another reason for someone to subscribe to [HDNet and HDNet Movies](#). But sales of HDTVs don't really need much help. They are flying off the shelves. The [CEA](#) says that digital TVs account for more than 25 pct of TVs sold this year and that percentage is growing.

[Some are even predicting that digital will outsell analog in 2005!](#) As prices decline further and further, analog TVs will continue to disappear from retail shelves and HDTV sales will continue to boom. So on this end I'm covered.

I also have a vested interest in seeing the adoption of HDTV not happening too quickly. The fact that it has taken all these years to get this far is a beautiful thing. The conventional wisdom among cable networks is that the market of HDTV consumers is still too small for them to cost justify investing in new content, equipment and distribution, which for the biggest network conglomerates will reach hundreds of millions of dollars in conversion costs, incremental equipment and distribution costs. The bigger the perceived cost for them, the slower they move, the less the competition for HDNet and HDNet Movies.

This headstart has allowed, and will continue to allow us to release groundbreaking programs and events like the day and date premiere of [Enron The Smartest Guys in the Room](#) on HDNet Movies and in theaters. (we are ramping up to do this quarterly, then monthly!)

To take chances like broadcasting live from the Iraq Elections, The Vatican and The Middle East. To be way ahead of the curve with our [sports, news and entertainment programming](#). The more time, the further ahead we will be when the transition finally takes place.

However, I also have a vested interest as an American citizen to see the analog spectrum occupied by regular TV returned to the government so that it may be resold. Heck, our budget deficit needs every penny it can get, and billions from an analog spectrum sale can't hurt.

The spectrum can also be used for far better applications than regular analog TV. From military to high speed data applications, it won't take much to accomplish more. Plus, its not like free over the air TV is going away, it's just being replaced by over the air free digital TV signals.

The argument against replacing the over the air analog TV signal with an over the air, free digital signal, to return the spectrum has been two fold.

First, there are 10s of millions of TV sets that still get TV from over the air analog signals. Most are 2nd, 3rd, 4th sets in homes. In some places however, like here in Dallas, the percentage of homes that receive their primary TV signal over the air in analog, can be as high as 40 pct. The question is, how are these people made happy when their over the air analog signal is turned off and they are forced to get some form of equipment that enables their TVs to receive an over the air digital signal. After all, in the USA, TV is as much a right as the First Amendment.

Which leads to the 2nd argument against.

Politicians want to be re-elected. If mom and dad, or grandma and grandpa can't get their TV, or are confused about how the whole thing will work, then they will be up in arms and we will see more political activism against candidates than we have seen since the 1960s...

So of course politicians are afraid of the entire issue with just a few exceptions.

[Rep Barton of Texas has attempted to take the lead](#) on forcing this issue forward. Rep Barton wants to set a date of Dec 31st 2006 as the cutoff date. And he is right. That should be the date.

That cut off date provides plenty of time for everything that is going to happen to enable the transition to happen. From reading and hearing all the debate, and I won't rehash all the issues here, I think there are several points that will ease the transition that have not been discussed.

Here they are:

1. The minute a date is set, everyone and anyone who can make money selling their product and service to the estimated 20 pct of the American population who gets their analog TV over the air is going to start selling like it was their last chance.

- a. **There will be a price war between cable, satellite and telco video providers to reach those 20mm homes.** I would expect that we will see deals like "\$1 to get your entire home ready for the digital conversion". Instead of a free DVR, they will bundle in STBs for every home in the house. No video provider wants to lose out on the chance to convert those 20mm to customers.

- b. The explosion in subs for all the video providers will also provide for an explosion in stock prices for all of them. Sure their customer acquisition costs will go up, but they will also see an explosion in digital subs. The stock market will ignore the costs as 1 time and extrapolate the digital opportunities per new sub and stock prices will rocket up.

c. There will also be a price war among TV manufacturers. This will be a once in a lifetime opportunity for them to blow product out the door. They won't miss out on the chance. Like the video providers, they will advertise unbelievable pricing specials and instead of offering promotion dollars for things like sound systems and recliners that we often see at retail, we can expect to see trade in programs for analog sets and even bundling of analog to digital convertors.

If there is a risk to the 12/31/06 date, its that manufacturers can't ramp up fast enough to handle the demand and to gain volume efficiencies on sets. If they do have enough time, look for this to be the push that sends Plasma and LCD sets far below 1k dollars for a 42"HDTV set.

d. From a government perspective, there won't be near the need for subsidies that most fear. The subsidies will come from the video and TV providers in the form of customer acquisition investments in set top boxes and promotional bundles of analog to digital convertors.

e. The biggest winner in the transition will be anyone who sells advertising. The amount of money spent by interested parties to educate, confuse, market, brand and gain customers could dwarf what is spent on a Presidential election because the stakes are higher. There arent many situations where 20mm new customers are pushed to buy something by a deadline.

If the big media companies want to see their stocks go up in 2006, seeing that this bill passes is the one way to do it.

2. Finally, the last big gain from the analog to digital transition will be the bandwidth freed up on cable networks. Once MSOs don't have to providebandwidth for analog cable tv networks at 38mbs each, that bandwidth can be freed up and used for other services, from HDTV to VOD to High Speed data. It could be the impetus for download speeds to finally get far higher than where they are now.

It's time for the analog to digital transition. Let's support Rep Barton in his plans. We all stand to gain.