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*How Mobile Broadband Impacts You*

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### **Welcome**

I'm thrilled today to join you to share ideas about the future. This is especially so at the invitation of NAB Vice President John Marino – with whom I began working on cooperative projects between WCA and NAB fully a dozen years ago.

### **Theme**

My theme is that the interactive capabilities of broadband pose significant challenges for TV and radio broadcasters -- much as they challenge business models in many other industries. I'll provide a few highlights of why.

More important, let me suggest good news from the front lines of broadband about effective responses for broadcasters: You and your predecessors have created successful businesses. This is in contrast to most new entrants who collectively can claim lots of momentum – but fail to achieve success far more often than not. I've seen it. Going forward, I'd suggest an increased willingness to embrace change in daring fashion, especially more interactivity. This should appeal to advertisers whose customers want a high-impact personal experience – whether for entertainment, public affairs or personal “news you can use.”

### **Discussion**

In a few moments, I'll provide specifics about the “mobile broadband” roaring down the pike this spring in the U.S. First, let me describe why I appear before you as a friend of broadcasters.

My career began in the newspaper business as a news reporter, and ultimately as an author of a 1987 book critiquing the press. The book was an investigative case study of transformations that I observed at the **Hartford Courant** following its acquisition by Times Mirror. As background, the **Courant** is the oldest newspaper in the U.S. and the largest paper in Connecticut. The book documented questionable practices that

undermine a newspaper's greatest asset, which was summarized by the paper itself as: "Public confidence, public belief in its fairness, in its honesty, in its integrity." For example, my book documented major problems in the accuracy of Pulitzer Prize applications for investigative awards regarding public service stories. Most dramatically, some targets were entirely innocent of the criminal charges alleged. Upon book publication, the broadcasting industry served as a vital channel to the public. I appeared on more than 100 radio and TV shows -- while not one single newspaper ombudsman would write about it. Many of you may know a TV news executive I found during that process to be especially committed to his community and to independent journalism: Dick Ahles, the VP for News at the CBS affiliate WFSB-TV in Hartford.

Later, I became an attorney in DC with the law firm Latham & Watkins, working with such professionals from your industry as Latham partner Rick Bernthal and his client [former NAB Chairman] Phil Lombardo of Citadel. After I moved in the 1990s to WCA we and NAB staff fostered a cooperative relationship that has continued. To take one example, we're each skeptics about the goals and methods of satellite radio providers XM and Sirius. Like NAB, WCA has challenged the factual basis of their assertions in many filings to the FCC.

Moving to the specifics of our converged industry and lessons learned: WCA's core members in 1993 provided "wireless cable" -- video subscription services in competition to wired cable. Yet by the mid-1990s, the success of cable and DBS were killing WCA members' video businesses. So, the association led the effort to transform business plans and government spectrum regulation away from one-way video -- and toward Internet-based, two-way services. We achieved great success in that, and in our secondary goals: 1) persuading regulators to enable mobile services in fixed bands; and 2) creating industry-consensus on standards-based equipment enabling low-cost deployments.

Today, WCA's core members are illustrated by our Board member telcos Sprint Nextel and AT&T and such suppliers as Alcatel-Lucent Technologies and Samsung, plus the system integrator Northrop Grumman and new entrant Google. Most of our members are telcos, start-ups, and their suppliers. But they are augmented by cross-overs from related sectors such as Comcast, George Mason University and your own National Public Radio and Pegasus Broadcasting, which has evolved from its TV and satellite roots into a broadband company named Xanadoo.

In speaking at one of our conventions, an FCC commissioner described us as the "poster child for convergence." That's partly because WCA continually adapts to evolving markets. Our next stage is to be in the forefront of applications. These include not simply consumer applications -- but also cutting-edge interactive developments in such varied fields as public safety, education and rural health care, and community economic development.

This would represent yet another bold change for us -- and is congruent with my suggestions for broadcasters. As a guiding light, let me quote from the 2007

autobiography **Television Tightrope** by TV and cable pioneer Ralph Baruch. He quotes his former CBS colleague Arthur Taylor as saying in the 1970s:

***“We are not here to do what we’ve done before!”***

That’s not going to work for everyone. But I suggest that it’s the only way we can proceed when faced with so many disruptive developments. Here’s a reason why: A sample of developments in broadband wireless multimedia that challenge your industry -- but also challenge companies in my own just about as much!

Number one on my mind right now is the mobile “Fourth Generation” “WiMAX” launch of multimedia services by Sprint Nextel. Nearly a decade in development, the commercial launch of this service is scheduled to occur in Washington, DC and a few other markets next month. WCA’s annual convention beginning on April 21 in DC is a convenient showcase for this. That’s especially so if (as widely predicted) a new worldwide company is created from the relevant WiMAX business units of Sprint and Craig McCaw’s start-up Clearwire.

The joint company could have huge spectrum rights in nearly a nationwide footprint of the 2.5 GHz band (including leased spectrum from educators’ excess capacity under their federal licenses). The mobile service has the potential to be a game-changer. Sprint asserts that Xohm's typical speeds will be in the 2 to 4 megabit per second range, with the potential to grow much higher.

***Right now, I’d like to demonstrate state-of-the art WiMAX devices from Sprint’s supplier Samsung. Samsung’s devices will be used in the Washington, DC market among other places during Sprint’s commercial launch. Key points include the small size of the unit, plus capability for mobility and interactivity. Also, I’d like to show a brief video that Samsung has provided for you to help illustrate the new service.***

**What could hold it back?** The current credit crunch in financial markets comes at a bad time for a capital-intensive launch of a new network.

***Let’s Talk About Other Wireless Broadband Third Generation Cellphones and Beyond***  
Whatever the case on that, parallel developments are occurring in cellphone technology that increases mobile broadband capacity. Advanced applications and devices require fast, easily affordable access. But today's 3G cellular data service remains expensive, with typical speeds between 400 and 700 kilobits per second. That's about to change, and the pace of change be rapid for the foreseeable future. Verizon Wireless and AT&T, for example, have committed to a Fourth Generation technology called LTE that competes with WiMAX. LTE stands for Long-Term Evolution. It will have similar speeds to WiMAX. But most observers believe that LTE and similar technologies won’t be available until 2011.

***What is the Importance of all this for Broadcasters?***

Most disruptive technologies require fast, affordable wireless access. Here are a few of the new technologies featured in a recent article in **ComputerWorld** entitled, “13 Mobile Wireless Technologies That Could Change Your Future.”

- **First, miniscule, less power-hungry mobile chips.** Smaller, more powerful chips mean smaller mobile devices, with impressive applications.
- **Second, increasing capabilities for video transmitted across a wide variety of devices.** YouTube has been described as a billion-dollar business based on systematic violations of copyright law. The music recording industry has already seen how difficult it is to enforce copyright law that has been part of this country’s business climate since the Constitution was enacted two centuries ago.
- **Third, nearly flawless speech recognition** that eliminates the need for a keyboard or display. Just by using your voice, you’ll be able to perform complex functions such as Web searches, dictating letters or buying products.
- **Fourth, foldable displays and electronic-paper.** These will enable tiny devices to display data clearly on easily stored screens and keyboards.
- **Next: Centralized storage** will enable centralized storage on remote servers. This is a final step toward un-tethered mobile devices and users.
- **Finally, better applications, such as mobile commerce.** In Japan, cell phone users increasingly swipe their phones near special point-of-sale terminals to buy things.

Let’s look at a sample of how these disruptive technologies can threaten broadcasters in ads, entertainment, news and overall viewership:

- **First: Increasingly Local, Interactive & Multi-Media Electronic Ads**
  - Every day we see the impact of declining classified ad revenue on newspapers. Job placement via Craigslist can cost employers as little as \$25 to receive high-quality applicants, particularly from younger workers. How can a newspaper – much less a placement service – compete with that? Looking to political campaigns, we’ve seen phenomenal fund-raising this year. But won’t fund-raising *from* the Internet increasingly translate into a mammoth shift of campaign ad spending *to* Internet-based media?
- **Second Threat: Mobile Entertainment & Erosion of Copyrights**
  - What’s the potential impact of being able to “watch” games or movies remotely via new devices? This is no longer mere speculation. Mobile TV has moved well beyond mere “clip-casting,” and is beginning to have more of the “look and feel” of conventional TV broadcasting. As one example, Verizon Wireless recently offered a variety of live, full-length

college bowl games through its V-Cast service in partnership with the major TV networks.

- Of course, mobile TV still has limitations, most obviously signal coverage, cellphone battery power and small screen sizes. And early returns indicate that finding the right subscription price points for mobile TV service is difficult. Nonetheless, TV broadcasters – with their unique offerings of local programming – should be well positioned to fill any content void if, as expected, mobile TV gains wider acceptance among consumers.
- **Third Threat: Public Affairs News & News You Can Use**
  - In public affairs, we're all seeing increasing popularity of alternative voices via blogs, websites, podcasts by attractive, up-scale demographic groups. There's no turning back, especially given the enormous amount of vital information readily available. Using the Internet to research medical care, for example, is highly attractive when it is so hard and expensive for many to visit a doctor.
  - A threat to radio broadcasters is illustrated in a speech by Sean Maloney, one of Intel Corporation's top-ranking evangelists for WiMAX broadband. As a native of the UK, he describes his eagerness to hear his hometown radio station at any time over the Internet via WiMAX wherever he travels in the world. What does that do to the advertising model -- since he surely won't be buying a car from the hometown dealer? Who else will be winners and losers?
- **Finally, Let's Discuss the Social Networking Sites**
  - By now, the social networking sites like Facebook, MySpace and AOL's recent acquisition Bebo are showing an amazing ability to draw eyeballs from traditional media.

Let me wrap up this discussion of threats with an obvious example: This week, the FCC is expected to end its auction of commercial spectrum in the 700 MHz band being transitioned from TV broadcasters. Some of that spectrum already is being used for mobile TV by Qualcomm with its MediaFlo service. Lots more will be devoted to similar services that compete directly with TV broadcasters. Yankee Group Chief Strategist Berge Ayvazian last week told me I wouldn't be doing you any favors if I didn't pose some questions: How many broadcasters have – or will – get involved in opportunities in that band? Who's planning for post-auction partnerships or investments? That said, mobile TV in the 700 MHz band may not be a major threat to TV broadcasting in the near term.

### **What's The Most Effective Response by Broadcasters To the Trends Described?**

Specifics and certitude are beyond my powers, to be sure. But in the spirit of the occasion, let me suggest the following:

- Most important, an incumbent with a revenue stream who is willing to adapt is in a much better position than the typical new entrant – even one with a great new idea. Look at what’s happening to so many of the Voice-over-Internet Protocol (VoIP) start-ups. The incumbent telcos began using the technology.
  - There appear to be notable successes by broadcasters in these areas already occurring. National Public Radio, for example, now boasts of a website attracting 8 million monthly visitors and also being the world’s largest producer of podcasts.
  - Most important, NAB’s mobile DTV industry-wide initiative aimed at a launch next year provides an independent path to providing the service.
- Broadcasting formats that genuinely empower audiences seem to be important path to success, particularly because programming decisions are so notoriously hard to make. This trend is at the root of a success by radio/entertainment entrepreneur Bob Sillerman in overseeing years of popularity by the **American Idol** TV series owned by his company CKX.
- Let me end with a question: Is there a way you can greatly extend interactivity across the range of broadcast offerings both on radio and TV? AM radio certainly did so years ago with Talk Radio. There may be important partnerships available with WCA members, many of whom have broadband spectrum ideal for the return paths necessary for interactivity. We at WCA would be glad to facilitate any such discussions.

More generally, the future can bright for creative and determined broadcasters, and for all of us in your radio and TV audiences who depend on your successes to benefit our communities and country.

On behalf of WCA’s members, I’m sorting through precisely these kinds of major course-adjustments, yet again. We’re trying at our convention next month after yours to really shake things up. For example, we’re going to focus heavily on applications that have important consequences for public policy. We’ll host CTOs from Northrop Grumman and Bechtel talking about the implications of potential government mandates for green technology. Also, we’ll feature the head of the Catholic Television Network describing why radical change using broadband technologies is necessary in K-12 education because of rising labor costs in both religious and public schools.

### **Conclusion**

In conclusion, I’d like to make at least one prediction I know will be accurate: It’s I’m getting demonstrably older by the day. One of the ways to tell is when you refer to the past when you’re supposed to be talking about the future!

But here goes: Last year, I had the opportunity to meet former Viacom CEO Ralph Baruch and read his autobiography. Its subtitle is: **How I Escaped Hitler, Survived CBS, and Fathered Viacom**. What a guy! What a story! For these reasons, I bought a gift copy of the book for every member of WCA’s Board Executive Committee to start

the new year. And I want to wind up today's talk with my lessons learned from Ralph's story: Here's someone who arrived in the U.S. in 1940 not knowing the language, with sick parents and no connections – and he went on to be part of the creation of both the TV and cable industries. Each of us knows that success demands vision, determination and flexibility. If he could find profitable opportunities for new industries why can't we? **The time is now!**

I hope these remarks prove helpful -- and that I can learn from each of you as this conference goes forward. Thank you for the opportunity to start the conversation today, and best wishes in next steps! ###