

Annals of Communications Experience Series Memorandum

Re: High-Definition TV and American Opportunities Foregone.

Introduction

Senator John Danforth, then-Chairman of the Senate Commerce Committee, found reports about new, digital television services to be alarming. With his trade aide, now-U.S. Trade Representative Sue Schwab, the Senator had been wrestling with overseas market access and U.S. communications equipment trade deficits. The Senator saw digital television as offering "Japan, Inc." yet another opportunity greatly to expand its consumer electronics beach-head, and to challenge Missouri's Zenith Corp., one of America's legendary brands, too.

Commerce and the FCC

Not only was the Senator concerned about the trade implications of this new broadcast service, but the Defense Department's Advanced Research Projects Agency (DARPA) was worried as well. There were concerns about very high-resolution cameras and computer systems, of course. Cruise missiles can operate by comparing pictures of the terrain below with a memory-stored map -- which allows them to maintain "radio silence." The high-resolution cameras they have thus are strategically relevant.

DARPA also saw America's electronics sector seriously challenged, and were concerned about the development of flat-panel displays, too -- the sort of display which is now in every kind of aircraft, among other things. And, they wanted a robust U.S. commercial marketplace for these displays to keep prices down for Defense applications.

"Don't Just Stand There..."

The Commerce Department's National Telecommunications & Information Administration (NTIA) was then headed by a longtime Danforth ally, Assistant Secretary Al Sikes. NTIA and the FCC, headed by former Chairman Dennis Patrick, were strongly encouraged by the Senator and Sikes to "do something."

Chairman Patrick in 1987-88 commenced by naming an advisory committee, headed by former FCC Chairman Dick Wiley and with top-flight engineers such as CBS's Joe Flaherty among its membership. Momentum slowed when GE announced it was exiting the television business, and selling all its factories to the French. But then AT&T joined the digital television effort; the company's world-class engineering, research, and manufacturing teams believed they could make a difference. High-level AT&T officials such as Robert Graves became involved.

Public broadcasting also made a major commitment. An advanced television center was created near the PBS headquarters in Alexandria, and former OMB official Peter Fannon was recruited to work on this effort. Over the years, noncommercial public broadcasting probably invested more on advanced television

than all of commercial broadcasting combined.

Opportunities Dropping By the Wayside

Senator Danforth and the Defense Department were right. Digital television offered great commercial opportunities to American companies. But after GE exited the business, American prospects deteriorated. The "American curse" -- lousy corporate managers -- worked its "magic."

Phillips, Sony, Matsushita (Panasonic), Thompson-CSF, Lee Group (LG), and other world-class companies focused on building more and better consumer electronics. American management, however, relinquished the field. Before long, virtually the entire consumer electronics business was non-U.S.-based. U.S. companies thus didn't participate in what since has proved to be one of the premier growth industries -- flat panel and plasma TVs, digital equipment, etc.

In Fairness, after Assistant Secretary Sikes was named FCC Chairman in 1989, no U.S. Commerce Department official encouraged American industry to remain true to America. States and localities competed for the assembly plants and distribution centers owned by foreign-based electronics companies. But the Federal Government -- like too much of American industry -- essentially abandoned the field.

Conclusion

High-definition, digital television could have been the basis for a renaissance in American consumer electronics. Back in the 1950s, 1960s, and 1970s, remember, virtually all electronic products in the office, factory, or home here were made in America. This could have been the source of those "good jobs with a future" and investment opportunities U.S. law has sought to foster since 1948.

Today, apologists contend that American wages are simply too high. But it's rarely noted, except by your Review, that European and Japanese wage levels are equal to, indeed, sometimes higher than ours, yet they manage to remain highly competitive. Perhaps the key is that other countries have far better management than we seem to have.

Should the FCC -- or, the U.S. Department of Commerce -- take into account the trade and employment implications of American communications policy? That used to be done, routinely. But it's not something which figures much into the decisionmaking calculus these days, does it? Oh well.

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