



August 2, 2006

Chairman Grassley
Ranking Member Baucus
Members of the Finance Committee

RE: Opposition to S 788; S 789; S 791

Dear Chairmen and Ranking Member and Members of the Committee:

I am writing to express strong opposition to the bills referenced above. Texas Instruments, DLP® Products is a domestic manufacturer of a competing display technology to LCD and plasma technologies.

DLP® technology is based on a digital mirror device or DMD. The DMD was first developed by TI in the 1980s. It is a semiconductor light switch or a spatial light modulator. It is known and widely referred to as an integrated circuit, or as a micromechanical monolithic single-chip integrated circuit. Each device has on its surface up to two million tiny mirrors, each of which measures one-fifth the thickness of a human hair, fabricated on hinges atop a static random access memory region of a complementary metal oxide semiconductor substrate. Each mirror is capable of switching a pixel of light, from “on” to “off” more than 1000 times a second. This rapid speed allows digital gray scale and color production.

DMDs are at the heart of TI’s DLP® technology and are used in various flat panel projection display applications, such as data and video projectors, high definition television, and digital cinema. It holds a great promise for the future in such applications 3D display and many medical equipment applications.

Within TI’s semiconductor business segment – which, last year, accounted for approximately \$11.7 billion, or 87 percent, of TI’s total sales revenues — the DMD has been one of the company’s brightest, rising stars. It has rapidly gained in commercial popularity and is expected to continue to experience dramatic sales and usage growth well into the future.

At the time of the DMD’s development, there was virtually no U.S. flat panel display industry; LCD and plasma were then, as they are now, being developed and manufactured exclusively in Asia. TI alone responded meaningfully to U.S. expressions of interest in fostering flat panel technology in the United States, by developing the DMD in Dallas. Today, the DLP® technology is unquestionably one of the premier and fastest growing flat panel technologies in the world. It is a uniquely American technology in an industry dominated by Asian competitors. The DMD research, development, fabrication and related activities at TI’s facilities in Dallas TX and San Jose CA represent a staggering investment and current employment of over 1,000 people.

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The bill referenced above would suspend duties on assemblies or components for TVs assembled in the US and competing in the US market. Industry projections indicate that there is a fundamental change going on in the TV market. The incumbent technology based on cathode ray tubes (CRTs) is giving way to new digital TVs. There are three primary technologies competing to replace CRT with plasma (PDP), LCD and DLP® technology. The US is the primary marketplace for large screen digital TVs. In this market there is extremely intense price competition among LCD, plasma and DLP® TVs. That is why we have consistently opposed a duty suspension bill referenced above which would benefit either LCD or plasma.

I am aware that since 2004 proponents of S 788 and S 791 have and continue to argue that DLP® technology is a rear projection technology and therefore competes in a different TV market. This is a critical argument for the proponents of the bill since it removes one of the key obstacles to passage of the legislation. If TI manufacturers a product which would be harmed by reducing duties on LCD or plasma, these bills should be rejected on that basis alone. The argument that no domestic producer will be harmed has been made both with regard to the plasma bill and the LCD direct view bill. However this argument cannot be supported by the facts:

- 1) As noted above all three technologies are competing to replace CRT. All industry trends show that all three technologies are gaining market share at the expense of CRT. The US is a critical market for new digital TVs. Therefore any change to US duties or rules of origin can have huge consequences for DLP®, LCD or plasma. (See attachment 1 market share data).
- 2) Average consumers are not aware of direct view vs. projection TVs. They evaluate the product on price, screen size, picture quality and form factor (the dimensions of the cabinet). (see attachment 2 New York Times article & attachment 3 Consumer Reports website)
- 3) After taking into consideration price and picture quality it is true that some consumers value thinner TVs. That is why TI continues to work very closely with our customers to innovate, reduce costs and to develop thinner TVs. Today two DLP® manufacturers are making TVs that are less than 10 inches and will be marketing them as “hang on the wall” for this years Christmas season. Within the next few years we expect that there will be virtually no difference on form factor.
- 4) Sony the primary proponent and intended beneficiary of all these bills has run negative ads against DLP® technology which are attached for your reference. Note the ads focus on picture quality not form factor. Indeed Sony often tries to draw comparisons with DLP® TVs regardless of their form factor.
- 5) TI is the ONLY producer of DLP® technology. This is not true of plasma or LCD. We are uniquely responsible for the success of the technology. We continue to invest millions of dollars in Texas and California to develop it and hold over 500 US patents for DLP® technology. Any DLP® TV sold contains TI’s technology developed and manufactured in Dallas, Texas. So we are very interested in DLP® Products’ ability to compete with plasma and LCD.
- 6) TI is investing heavily in national ad campaigns through NASCAR and the NFL Superbowl to create awareness of DLP® technology among consumers. Of course the ads are not targeted to rear projection consumers, rather, they are meant to reach large screen TV consumers.

Congress has already declined to move this legislation and should do so again. In December 2005, at the close of the first Congressional session Congress declined requests to add this bill to unrelated legislation. In 2006, the House Ways and Means Committee did not include it in HR 4944, "the Miscellaneous Trade and Technical Corrections Act of 2006", because it does not meet the requirements for inclusion: the revenue loss exceeds \$500,000 per year and because it is opposed by a US manufacturer of a competing technology.

The provisions of S 788 were included in the Pension Reform Act HR 4 and are pending in the Senate at this time. To my knowledge this is the only duty suspension bill to be included in HR 4 which had not previously passed the House as part of H.R. 4944. Further, S 788 violates the two criteria which Chairman Grassley and Ranking Member Baucus set out in their April 25, 2006 "Dear Colleague" on the Senate's Miscellaneous Tariff bill. "Namely they must be non-controversial and must amount to less than \$500,000 in annual lost revenue." TI has been on record objecting to these bills with the International Trade Commission, the Ways and Means Committee and the Finance Committee for several years. It is also my understanding that the revenue loss for S 788 is estimated to be \$28 million over 4 years by the Congressional Budget Office. The International Trade Commission estimated the total cost of the bill to be over \$40 million over 3 years. These amounts far exceed the \$500,000 annual limit.

Thank you for considering this issue. On behalf of Texas Instruments and our employees, I ask for your help in removing this unnecessary and unrelated legislation from the Pension Conference HR 4 and to exclude these bills from any future Miscellaneous Duty Suspension Legislation.

Sincerely,



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