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THE STATUS OF THE DIGITAL TELEVISION TRANSITION

HEARINGS

BEFORE THE

SUBCOMMITTEE ON TELECOMMUNICATIONS AND THE INTERNET

OF THE

COMMITTEE ON ENERGY AND COMMERCE
HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

MARCH 28, OCTOBER 17, 31, 2007

Serial No. 110–27

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THE STATUS OF THE DIGITAL TELEVISION TRANSITION

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THE STATUS OF THE DIGITAL TELEVISION TRANSITION

WEDNESDAY, MARCH 28, 2007

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TELECOMMUNICATIONS
AND THE INTERNET,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, DC.

The subcommittee met, pursuant to call, at 10:00 a.m., in room 2123 of the Rayburn House Office Building, Hon. Edward J. Markey (chairman of the subcommittee) presiding.

Members present: Representatives Doyle, Harman, Inslee, Boucher, Towns, Pallone, Stupak, Green, Solis, Dingell, Upton, Hastert, Deal, Shimkus, Wilson, Walden, Terry, Blackburn, and Barton.

Staff present: Johanna Shelton, Colin Crowell, Maureen Flood, Mark Seifert, Tim Powderly, David Vogel, Kyle Chapman, Neil Fried, and Courtney Reinhard.

OPENING STATEMENT OF HON. EDWARD J. MARKEY, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF MASSACHUSETTS

Mr. MARKEY. Good morning, ladies and gentlemen and whoever is watching this on C-SPAN. Twenty-five million people. That is bigger than "Dancing with the Stars." If they see this on delay, it is March 28, 2007. But it has been 80 degrees here in Washington, and all of these various blossoms are completely confused, and this is the debate over whether or not global warming is affecting our country and causing this personality disorder in plant life. I am saying that I have had such a pollen attack that it is going to affect how people hear me today, but I am going to be kind of in a Luca Brasi sound alike contest today, and I don't have a cold, but——

Mr. UPTON. You are sounding a little bit like Charlie Rangel.

Mr. MARKEY. Charlie Rangel, Luca Brasi, I am not going there, OK, but there is a, I think, a real problem for many people here today in Washington. The purpose of today's hearing is to provide this subcommittee with a clearer picture of how Government, industry and community groups will work together to ensure that millions of Americans do not lose free, over-the-air television after the transition from analog to digital broadcasting on February 17, 2009.

Recent oversight hearings with the Federal Communications Commission and the NTIA have left this subcommittee with a DTV transition picture that is fuzzy, at best. If we are going to make

sure that all Americans don't see their analog televisions go dark on February 17, 2009, we need to start getting better reception from the parties who are responsible for making sure this digital transformation is a success.

I truly hope today's panelists can provide high-definition clarity to the DTV transition so that we can assure the public it will be a success for everyone. Let me start by reaffirming my support for the DTV transition. I held the first HDTV hearing as chairman of this subcommittee in this room 20 years ago, 1987. We have long known the benefits of transitioning to digital TV and it is time to get the job done and done correctly.

If implemented successfully, transitioning broadcast television to digital service will free up valuable spectrum to enhance public safety communications, may bring consumers an array of new digital broadcast video and other services and will provide spectrum that, if also implemented properly, will enhance wireless competition and spur a new wireless broadband deployment and innovation.

Mr. Dingell and I and other Democratic colleagues urged the administration and our Republican colleagues in the last Congress to ensure sufficient funding for this program so that all of the almost 70 million analog television sets would be covered. The CBO estimated that this would cost roughly $3.6 billion, or more than twice the amount in the final law. With the relinquished spectrum estimated to garner upwards of $10 billion at auction, there is sufficient money to do this right.

In the last Congress, the Democratic side offered a plan which allocated enough money to cover every possible applicant for a converter box and we proposed that the remainder of the $10 billion in auction revenue should be used to fund public safety interoperability and network upgrades. Instead, our colleagues proposed less than half that amount for converter boxes and only $1 billion for first responders. In addition, there is only $5 million for consumer education at NTIA and $1.5 million at the FCC in order to deal with this issue.

We have to get this job done. That is what this hearing is all about. We are going to make sure that all of the parties from the Government and the private sector play their role in protecting the American right to their television set, turning on when they have spent their good hard earned money to purchase that set.

And the time of the Chair has expired. I turn and recognize the gentleman from Michigan, Mr. Upton.

OPENING STATEMENT OF HON. FRED UPTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. UPTON. Well, thank you, Mr. Chairman, and I would like to thank the witnesses for testifying today on this very important issue. I commend you for holding this extremely important hearing. The DTV transition is an issue that continues to generate an outstanding amount of attention and it is certainly imperative that the attention on the issue focuses on the heart and soul of the matter, and that is giving our first responders, many whom I have met with this morning in my office, from my district, the resources that we need to keep America safe.

The catalyst for the DTV transition is the post–9/11 realization that we have to get the 24 MHz of spectrum into the hands of public safety officials for interoperability once and for all. In fact, clearing the 24 MHz was precisely the task which the bipartisan 9/11 Commission, in its recommendations to Congress, also recognized as a mission very critical to homeland security. And despite the moral imperative, much of the debate is focused on the NTIA program to provide consumers with coupons for subsidized converter boxes. And I am confident that the NTIA coupon program is more than adequate to provide subsidized converter boxes.

According to the National Association of Broadcasters' testimony there are a total of 69 million TVs not connected to cable or satellite, including those in homes that subscribe to cable and satellite. They estimate that after a broadcaster sponsored consumer education campaign, consumers will want subsidized converter boxes for about a third of those TVs. That makes 23 million subsidized converter boxes well below, well below the 33½ million subsidized converter boxes that the $1.5 billion coupon program is intended to cover.

In fact, I think the initial $990 million will be more than enough to cover the demand for the subsidized converter boxes based on the estimates using data from the FCC or the consumer electronics industry. And according to the CEA, the manufacturers building the boxes, only 25 million sets will need a converter box by the transition date and only a third of those will feel that they need the subsidy, and that is a little more than 8 million boxes which easily can be covered by funds for the program.

The fact remains that it is in the financial interest of the broadcasters, the satellite and cable folks to make sure that each TV-viewing household knows about the DTV transition. The last thing the industry wants to do is lose viewers. The broadcasters should be commended for the work that they are going to do to ensure consumers to be aware of that transition and I am confident that they will continue to do more than their share to ensure that the transition is successful.

It should be noted that the transition has been difficult for our local broadcasters. Individually, each broadcaster has had to invest significant sums, often more than a million bucks, to make this Government imposed transition; not to mention the energy and the insurance costs for operating both analog and digital facilities at the same time. Our local broadcasters are to be commended for doing their part. Had it not been for their hard work and sacrifice, the transition would not have been possible.

However, if any of my colleagues on either side of the aisle have doubts or concerns about the industry's resolve to educate consumers, I would urge them to cosponsor and pass H.R. 608, the Digital TV Consumer Education Act. Make no mistake, if we alter any of the fundamental pillars of the DTV Act plan, like changing the auction date or the spectrum allocations, we jeopardize, jeopardize the 24 MHz of public safety spectrum and the billion dollar public safety grant that was included in the legislation. The stakes are too high to gamble and we have come so far. We should try to risk avoid strain from that well-plotted course.

As I conclude my opening statement, I would just like to highlight a few of the relevant numbers again. Fifteen million exclusively over-the-air homes; 94 million cable and satellite homes. Projected demand for the subsidized converter box is 21.8 million. Thirty-three and a half million converter boxes are available through the Federal coupon program, which is, should be, more than enough to cover the 21.8 million. But the numbers that matter the most are the 24 MHz of spectrum and the billion dollars for public safety.

I look forward to hearing from the panel today. The 9/11 Commission understood the importance of ensuring that our first responders have the equipment and the spectrum necessary to communicate in times of emergency. I am proud that we were successful in not only passing the DTV transition last Congress, but we are also providing a helping hand to enable our first responders to better protect all of America.

Mr. MARKEY. The gentleman's time——

Mr. UPTON. Oh, wait. If I could just submit a unanimous consent to put in a letter from Thomson indicating that they will have the converter sets available by January 1, 2008.

Mr. MARKEY. Without objection it will be included.

Mr. UPTON. And also to allow Congresswoman Blackburn, to sit in and participate in the normal process, as she is not a member of this subcommittee?

Mr. MARKEY. Without objection Mrs. Blackburn will be allowed to participate in the hearing and she will be recognized after all of the members of the subcommittee have been recognized, but we welcome you. Thank you. The Chair recognizes the gentleman from Michigan, the chairman of the committee, Mr. Dingell.

OPENING STATEMENT OF HON. JOHN D. DINGELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. DINGELL. Mr. Chairman, I thank you and I commend you for holding this hearing. This is the first oversight hearing on the digital television transition since the law that set a hard date to turn off analog television was enacted more than a year ago. I think that careful oversight is going to be very much needed because I have great apprehensions that a fine mess lies before us.

Mr. Chairman, consumers deserve a clear picture of the digital television DTV transition. This committee will work hard in the coming months to see to it that the public and private stakeholders are doing all that they should to prepare consumers. Much will be gained for our country if the transition is done properly and is successful. The timely return of the spectrum will produce significant public benefits, particularly for the first responders and wireless innovators.

Indeed, led by my good friend Mr. Stupak of Michigan, many of us voted to use the bulk of the spectrum auction proceeds, $5.8 billion, for first responder interoperability. Unfortunately, that law was enacted in the previous Congress and set aside far less funding for first responders. Decisions being made now by this administration and others will lay the foundation for success of the transition;

good decisions that put the consumer first will go far towards ensuring a timely return of the analog broadcast spectrum.

Consumer adoption is the lynchpin of a successful DTV transition. I suspect few consumers know that they will need to purchase new equipment to keep their analog television sets working. We must reach all Americans with accurate information about the transition date and about the coupon program. The law established a first-come, first-served converter box coupon program. That imposes significant perils on portions of our society that may or may not be aware of that feature of the law.

When that money runs out many households, including those dependent on free, over-the-air television, for every day for their local news, weather and emergency alerts may be left with a blank screen. Retailers must provide consumers with simple and useful information. When consumers walk into a store, the necessary equipment, including eligible low-cost converter boxes, must be in stock and visible on the shelves.

Consumers should see effective informational displays and be able to pick up coupon applications right at the store where the boxes are sold. Sales associates should accurately answer questions and assist coupon holders in obtaining eligible low-cost boxes. Consumer electronics manufacturers must also make certain that affordable converter boxes are produced in sufficient numbers and available to retailers in the proper timeframe.

Given that coupon distribution will begin in January 2008, I am curious whether orders have been placed to produce low-cost boxes and in what quantities. How will manufacturers market, promote and test the boxes? Will there be installation or antennae assistance? Will product labeling easily identify coupon eligible boxes? The most crucial part of any consumer education campaign is the efforts of the broadcast industry, itself. Broadcast television is a powerful media to reach consumers.

Local broadcasters must begin a thorough public education program as the coupons become available next January. Broadcasters should also partner with local retailers and community organizations to promote outreach to hard-to-reach populations. Cable operators must also do their part. They must provide accurate and appropriate information to guide their subscribers through this transition. It must be noted that retailers and wholesalers and others involved in the sales of television equipment must also do their share and must not sell equipment which will not best suit the needs and the concerns of the consuming public.

Importantly, Government agencies such as the Federal Communications Commission and the National Telecommunications and Information Administration must step up their efforts. There has been too little appreciation for the task of properly informing and equipping American households. It is the responsibility of the FCC to inform all Americans about the transition and coordinate the technical steps required to usher in full digital broadcasting. NTIA has serious responsibilities here and they must conduct vigorous consumer outreach regarding the coupon program and they must keep Congress adequately informed on the progress of their efforts.

As we prepare for February 2009 we should not forget that we are asking ordinary people to pay for a Government decision that

essentially makes their television sets obsolete. For that reason we should ensure that this transition is as painless as possible for American consumers and that they have all of the information needed to protect themselves in what could be a dangerous undertaking for their viewing interests. Thank you, Mr. Chairman.

Mr. MARKEY. The Chair recognizes the gentleman from Illinois, Mr. Shimkus.

OPENING STATEMENT OF HON. JOHN SHIMKUS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. SHIMKUS. Thank you, Mr. Chairman. Remember what we did in the Deficit Reduction Act of 2005? The primary responsibility was to get 24 MHz up to the first line responders and a billion dollars to help in that transition, but I want to highlight something that I covered in a hearing of last week; it is up on the screen, it is up on this placard and it is really the best way to get a hold of some numbers to understand whether we have enough money or whether we don't have enough money.

At last week's DTV hearing I walked through the converter box numbers with NTIA, demonstrating that the initial $990 million allocated to the program would cover demand. Some said I did it too quickly, so I thought I would do it again, this time with some help. According to the FCC's most recent estimate, there are 15.36 million exclusively over-the-air homes. NAB's February 2007 survey projects that 25 percent of the over-the-air homes may want a subsidized converter box; that comes to 3.84 million homes. Over-the-air homes tend to have two televisions for a total of 7.68 million subsidized converter boxes.

According to the same FCC estimates, there are 94.23 million cable and satellite homes. According to NAB, 15 percent of cable and satellite homes may want a subsidized converter box. That comes out to 14.13 million homes. Those homes are likely to have only one television not connected to their cable or satellite service, so that is a total of 14.13 million subsidized converter boxes. If you add those numbers together you get 21.81 million subsidized converter boxes. That is less than the 22.25 million subsidized converter boxes that the initial $900 million less the administration costs can fund.

And I would like to point out the consumer electronics industry, the ones who actually are making and selling the converter boxes, thinks the numbers needed will be even smaller. I realize that many of these numbers are estimates, however. If they are accurate, then we are headed in a great direction. When we passed the Deficit Reduction Act of 2005 with these provisions included and I personally think we did a good job.

I will end, again, with my primary, my opening part of this was it is all about dollars and cents and priorities. And the number one priority is get the spectrum to the first line responders so they can communicate. The second major responsibility is to make sure that we have money to help in the interoperability. That is all what this debate is primarily responsible and I think, budgetary, we can defend the $990 million for the set top converters.

With that, Mr. Chairman, I will yield back my 20 seconds.

Mr. MARKEY. The gentlelady from California. Let me go to the gentleman, if you wouldn't mind, let me recognize the gentleman from Michigan. I know he has got to run.

OPENING STATEMENT OF HON. BART STUPAK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. STUPAK. Thank you, Mr. Chairman, and thanks for holding this hearing. While I support the transition to digital television, I do not support legislation passed by the last Congress to implement the DTV transition because it does not do enough to help consumers and it fell short of what could be done to help public safety. Nonetheless, the legislation passed and now we have to make sure it is implemented in a way that best meets the needs of consumers and public safety.

I supported setting a hard date to finally give an additional 24 MHz of spectrum to public safety agencies to improve first responder communications. I am also a strong supporter of freeing up this beachfront spectrum to speed advanced wireless and Internet services to rural America. Unfortunately, these benefits come at the expense of rendering 69 million analog television sets useless. Many of these sets are in homes which have cable or satellite for their primary TV, but their other television sets in their homes will be affected by this transition.

Perhaps more importantly, there are 21 million households who depend solely on over-the-air television. The average income of these over-the-air households is $30,000, which is representative of my district. Forty-one percent of the over-the-air viewers can't afford cable or satellite. Over-the-air viewers are more likely to live in rural America and they are more likely to be older. Consumers didn't ask for this transition. They don't know it is coming and they are not going to appreciate being hit with a $50 TV tax. They are going to need to be educated about how to make their TVs work after February 19, 2009. Americans will need to be persuaded that this transition is a good thing.

Under the best case scenario, we have a tall order ahead of us. Unfortunately, the Deficit Reduction Act did nothing to provide us for this best case scenario. Instead of funding for a robust coupon program and education campaign, we have a piecemeal approach that will inevitably lead to confusion and television sets being left in the dark come January 2009. Let me be clear, it did not have to be this way. I voted for an alternative bill that provided a converter box to every household that needed one. In addition, I fought to direct the remaining spectrum proceeds to help public safety update their communications equipment.

Public safety officials need additional spectrum but they also need modern equipment. Yet, this administration has committed just $2 billion to interoperability upgrades since September 11 to meet a need that is estimated to be $18 billion. I offered an amendment to direct $5.8 billion of the spectrum auction money to create a public safety communications trust fund for interoperability. Unfortunately, my amendment failed on a tie 24–24 party line vote. Republican leadership chose much of the $20 billion from the sale of the spectrum to offset another round of tax cuts for the wealthiest Americans rather than to adequately compensate consumers for

this digital transition and invest in first responder communications.

In closing, unless we want these converter boxes thrown at us, Congress had better meet its obligation to consumers and make DTV transition as inexpensive and as least burdensome as possible. With that, I yield back, Mr. Chairman. Thank you for the time.

Mr. MARKEY. The gentleman from Oregon, Mr. Walden.

OPENING STATEMENT OF HON. GREG WALDEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. WALDEN. Thank you very much, Mr. Chairman. I look forward to hearing from our witnesses today and appreciate the breadth and scope of their testimony. I do have to take some exception with my friend and colleague from Michigan when he indicated that the Deficit Reduction Act did nothing to help consumers. There is $1.5 billion in there to help subsidize these consumer converter boxes, which in my part of the world, is still a lot of money, billion and a half.

Now, the one thing I would say is that I had my own reservations, as many of you know, about this legislation and the hard cutoff date, recognizing a cutoff date was essential, but was not convinced that the market was ready for this and that agreements had been in place before that spelled out how this transition would occur. Clearly, those agreements have gone by the wayside and we have a new law in place that sets a hard cutoff date.

With a hard cutoff date in place, the worst thing we could do is change it, because, I think, the manufacturers are ramping up to make the converter boxes; consumers are beginning to get educated and the real issue for us now is how do we effectively educate consumers in a timely and appropriate way so that they are ready for this transition. I know at one point, the cutoff date was going to be New Years Day of 2009, which I thought was pretty stupid, actually, because most of us would wake up that day and turn on our televisions; if they didn't work, you had no place to except to the phone book to call your Member of Congress. I would prefer they go to Radio Shack or somewhere else and get the converter box. Of course, those stores would have been closed.

The other thing I would say is I stayed up late last night to read the Constitution. Right next to the second amendment, which deals with guns, is how we deal with televisions and so I do think we have to be cognizant of this right of consumers to get TV the way they have been getting it in the least disruptive way or we are all going to hear about it, so it is important for all of us to get it right. The date is there, the transition needs to happen. First responders need the spectrum and frankly, the Government can better use the funds from the auction for essential Government services, including helping first responders.

I think consumers are used to technological changes. Nobody likes having to buy one of these boxes or upgrade their software when some operating system changes, but we recognize that is the price of progress, too. So we are going to do our part to help those who need the help the most. We need to make sure that as few sets

are rendered inoperable as possible and that HD signals are passed through the cable systems to analog sets in an un-degradated way.

And I look forward to your comments today as we work to make this happen in a positive direction. I look forward to working with you in the future to make sure consumers are duly educated and ready for this transition. Thank you, Mr. Chairman.

Mr. MARKEY. The Chair recognizes the gentlelady from California, Ms. Harman.

OPENING STATEMENT OF HON. JANE HARMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Ms. HARMAN. Thank you, Mr. Chairman. Good morning to our witnesses. Over 5 years ago, former Congressman Curt Weldon and I introduced the Hero Act to clear 24 MHz of spectrum in the 700 MHz band for our Nation's first responders for public safety communications. In the mid–1990s this committee and that Congress promised that the spectrum would be cleared by the end of last year provided that the DTV transition was well under way. The DTV transition was not well under way, so we have moved the deadline to 2009.

I view this decision, to move the deadline, as extremely problematic. I believe there is ample evidence that we could face more terror or natural disasters on the scale or bigger than 9/11 and Katrina before 2009 and what will that mean? Well, ask Mary Fetchet, one of our witnesses today, who will explain to you exactly what that means and then sober up everybody and understand that we just better find the way to keep this promise.

Mary and the 9/11 families like her are the reason Congress has taken action at all. And in the memory of Mary's wonderful son, Brad, and the numbers of first responders and other family members that were lost on 9/11, we simply cannot fail. Last week at our hearing with NTIA chief, John Kneuer, I said, and I just want to repeat it today, I feel very strongly about this; that this is not a broadcaster relief issue.

This is a public safety issue and to those who are going to cite all the problems with the converter boxes and the details of the transition, I just say to you, you have spouses and parents and children who live in communities all over America. Those communities are vulnerable today, as they were on 9/11 because we have not fixed this problem. If we have one of these catastrophic attacks and you lose your Brad, what will you say about your failure to act? I yield back, Mr. Chairman.

Mr. MARKEY. The gentlelady's time has expired. Chair recognizes the gentleman from Virginia, Mr. Boucher.

Mr. BOUCHER. Thank you, Mr. Chairman. I am going to waive an opening statement and reserve time for questions.

Mr. MARKEY. Gentleman reserves his time. Gentleman from New Jersey, Mr. Pallone.

OPENING STATEMENT OF HON. FRANK PALLONE, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. PALLONE. Thank you, Mr. Chairman, and I want to thank you for holding this very important oversight hearing on the digital

television transition. And I would also like to welcome our panelists, who will play a very large role in this mandated transition. Mostly, I am interested in what measures we can all take to prepare the country. With good intentions last year, Congress passed the law setting a hard date for the digital television transition.

Without modification, such as a digital converter box or subscription service, approximately 70 million analog TVs will go black after February 17, 2009 and my concern is that most Americans have no idea that this transition is coming. The task of educating over a hundred million U.S. households is enormous. There should be no disagreement that we have not provided nearly enough funding to the various agencies responsible for the transition. Berlin, Germany needed nearly $1 million for its entire city and we have allocated a mere $5 million for the whole country. Anyone can do the math and figure out that is not going to work.

And now that the date is set, I do not believe it should be postponed. The resulting spectrum auction will have large impacts on the public safety communications and that should not suffer. Instead, we must all work together and share the responsibility of making this as smooth a transition as possible. I, myself, am taking steps to help educate my constituents. I am writing a letter shortly alerting them to the transition. I have also made arrangements with local radio stations to record public service announcements and I just want to commend the industries like NAB, LG and NCTA, who have already taken voluntary efforts to create a DTV transition coalition.

I am afraid, however, that you will have to pick up where the administration leaves off and it is my hope that you are willing and ready to do so. We have a lot of work to do over the next 2 years. I strongly believe this must be a fully coordinated effort so that American consumers are not blindsighted by the transition to DTV. Obviously, today's hearing is an important part of that process. Thank you again, Mr. Chairman.

Mr. MARKEY. The gentleman's time has expired. The Chair notes the presence of the ranking minority member of the committee, Mr. Barton. If he would seek recognition, we would recognize him at this time.

Mr. BARTON. Thank you, Mr. Chairman. It sounds like you have what I have had. You seem to have a little bit of a chest cold.

Mr. MARKEY. I have already explained that it is pollen. It is global warming. It is excessive fossil fuels in the atmosphere finally coming back in this catastrophic——

Mr. BARTON. Having to put up with the pesky minority. We understand. I especially understand because I have sat where you are sitting now, so I——

Mr. MARKEY. It is a burden I am willing to bear to be the majority.

OPENING STATEMENT OF HON. JOE BARTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. BARTON. I would like to thank you for your continuing interest in the digital television transition. This is the second hearing in as many weeks that has been called to take a second look at legislation that we passed several years ago. The bill that we did pass

was such a good compromise that it passed this particular committee 33 to 17. Then it also passed the House and the Senate.

We understand that there are some concerns about the converter box program that is in the law as it currently is. We understand that there is some concern that we should do consumer education differently. Having said that, just because there is some lingering concerns about the bill doesn't mean that it is time to go back and redo it all over again. I personally believe that we go the balance right when we did it and I hope that we will stick with it.

People in the industry and people in the country, the affected stakeholders, I think, will benefit by sticking with what we already have. Broadcasters are going to return 24 MHz of spectrum to be used by first responders, implementing one of the 9/11 Commission's recommendations. The FCC will auction 60 MHz of spectrum for wireless broadband. One billion dollars of these proceeds are going to be used in grant programs to help give police, fire fighters and paramedics the equipment they need to better communicate with each other and with us when we need them most.

Another $1.5 billion is available for consumers who may still wish to use their old analog television sets with rabbit ears after February 17, 2009. Under the NTIA's rules that have been promulgated, all households may request, free of charge, one or even two converter boxes, and the cost is going to be subsidized from the first $990 million allocated to the program. If NTIA needs the remaining $510 million, only homes without cable or satellite service will be eligible for this second round of funding. That is to ensure that the subsidized converter boxes go to those who really need them the most.

I hope that the added money won't be necessary. A dwindling minority of Americans use analog television sets with over-the-air antennas. Fewer still will want taxpayers to give them a subsidy. After all, they are taxpayers, too. Using broadcaster demand projections and FCC estimates of number of the over-the-air cable, and satellite homes, it appears that we would need approximately 21.8 million subsidized boxes. The consumer electronics industry the ones who are actually building and selling the boxes—think that the demand is going to be considerably less than that.

Regardless, the $990 million fund, by itself, can fund 22.25 million converters, which is a number larger than 21.8 million. Keep in mind, anyone can accumulate the requisite wealth to buy a $60 converter box, if they wish to, just by putting their pennies and dimes into their piggy banks.

Yes, the Senate's Byrd rule stripped the consumer education requirements other than the $5 million for the NTIA. But these are the broadcasters' consumers. And those of the cable, satellite, retail and consumer electronics industries. They have every incentive to inform the American public how to manage the transition. They are in a far better position to do so, with almost 2 years still to go, I might add.

I continue to think that the bill, as it is, is right, but I am not in the majority now. You can allocate more money for converter boxes if you think it is necessary. If you don't think industry is going to do enough to educate their own consumers, you can move H.R. 608, the bill that I have introduced with Mr. Upton and Mr.

Hastert to replace the consumer education requirements that were stripped out in the Senate by the Byrd rule. Or you can introduce your own consumer education bill. We shouldn't squabble over the coupon program; the public safety and other benefits of this legislation are too important.

I also, before I yield back, Mr. Chairman, want to welcome Mary Fetchet from the Voices of September 11th for testifying. I hope her presence will help us keep things in their proper context as we look at this issue. With that, Mr. Chairman, I hope you feel better soon. I yield back.

Mr. MARKEY. I thank the gentleman very much. The Chair recognizes the gentlelady from California, Ms. Solis.

OPENING STATEMENT OF HON. HILDA L. SOLIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Ms. SOLIS. Thank you, Mr. Chairman, and I won't sound like Luca Brasi. But I want to thank you for this hearing, Mr. Chairman, and also Ranking Member Upton. I want to thank our witnesses that here today and I especially want to thank a good friend of mine, Alex Nogales, who has agreed to testify, representing the National Hispanic Media Coalition based in Los Angeles, for coming all the way out here today. I worked with Mr. Nogales for the past few years on telecommunication issues important to the Latino and under-represented communities.

The deadline for the digital television transition is fast approaching. In just 9 months the NTIA's coupon program to provide consumers with financial assistance to purchase a set top digital converter box will soon begin and I join with my colleagues in voicing serious concerns that some consumers, particularly low-income minority communities, will be left behind in the DTV transition. Households with over-the-air television sets and no cable or satellite service are disproportionately low-income and many, in some cases, are Spanish speaking.

The Deficit Reduction Act allocated a relatively small amount of money for the NTIA to educate consumers across the country about the transition and the set-top box coupon program. It seems that the NTIA and FCC are relying heavily on education and outreach from the industries affected most by the DTV transition. So therefore, I am eager to learn today how all of the industry is impacted, including broadcasters, cable providers, retailers, advocates and manufacturers are working to make the transition a positive change for all consumers.

And I hope that the witnesses today will address outreach efforts to households with limited Internet access, language barriers, cultural barriers, outlining more creative solutions to ensure that all consumers are educated about the DTV transition. I want to thank the witnesses again and look forward to hearing from all of you.

Mr. MARKEY. The gentlelady's time has expired. The gentleman from Pennsylvania, Mr. Doyle.

OPENING STATEMENT OF HON. MIKE DOYLE, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF PENNSYLVANIA

Mr. DOYLE. Thank you, Mr. Chairman. Mr. Chairman, the world woke up on January 1, 2000 without computer outages, without power failures and without the end of the world as we know it. We woke up that day with no major problems because we had been talking about Y2K and the potential for problems. We are now less than 2 years away from the end of analog broadcasting as we know it and if we don't get this transition right, then dealing with constituents complaining about their TVs not working anymore will be the least of our concerns.

A few years ago, 20 percent of Americans didn't know how to set the time on their VCRs. For millions of Americans, that darn VCR blinked twelve o'clock until they bought a TiVo or a DVD player. We now have the challenge of telling millions of people, who watch broadcast television, also known as our constituents, that the Government has broken their TV sets and that they have to act fast to get a fix. If we are going to use the spectrum to create interoperable communications for our first responders, prevent another tragedy that befell the firefighters on 9/11 and we should, then we have to get this right.

Mr. Chairman, thank you and I yield back my time.

Mr. MARKEY. Gentleman's time has expired. Gentleman from Texas, Mr. Green.

OPENING STATEMENT OF HON. GENE GREEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. GREEN. Thank you, Mr. Chairman, and following my colleague from Pennsylvania, some of us may still not be able to set our clocks on our DVDs. The digital transition, it seemed so far away for so long, it is hard to believe it is almost around the corner. In less than 2 years 69 million television sets will no longer be able to receive over-the-air signals due to an act of Congress and I know that 1.5 billion seems like a lot, but it is interesting, unfortunately, that act of Congress that did that only includes enough funding to cover maybe half to two-thirds of the cost for about one-third of those television sets.

Millions of these sets were bought within the last few years, some as recently as 4 years ago and many consumers are not aware of it and I know my colleague from Oregon and I, Congressman Walden, talked about this a few years ago before the budget passed that included the transfer and the hard date, but it didn't include some of the consumer information that should be out there now instead of saying we are still talking about it. We are taking a big gamble that the public will not demand more coupons and I am afraid that we may lose that bet.

Perhaps retailers and manufacturers who sold those television sets without warning consumers should contribute toward the coupon program. We expect that we are not going to get enough funds. The public owns the spectrum and we are moving them involuntarily, so we should compensate them. By failing to compensate all over-the-air viewers, this plan transfers the wealth from those who rely on over-the-air, primarily seniors and moderate income fami-

lies, to the U.S. Treasury. Working families and seniors like many of my constituents use their television sets for years and do not tend to go out and purchase a $1,000 high tech television very often.

I think there is a good chance we are going to need more funding for the program; the sooner we know about it, the sooner we can do it. Our district has lots of homes that rely on over-the-air, including middle class families, seniors, Spanish speaking consumers. Our office is going to do everything in our power to inform our constituents about the need to get their coupons early. We are probably going to include this information in about everything we send out for the next 2 years to make sure.

My concern is that we should have a pre-order list for coupons where people can sign up ahead of January 2008. This would give consumers more time to sign up, starting immediately. It would also give us a better idea on how many boxes we are going to need earlier in the process, which will help plan ahead. This list could encourage production, ordering and stocking of the converter boxes. This information would help the transition by telling us about where the demand is and how strong it is that these converter boxes may be much better than some consumer surveys.

If NTIA keeps a we should start out sooner, maybe we would have something proactive to tell consumers to do instead of telling them to get ready for January 1, 2008 and then starting help remind people. Again, I am glad our witnesses are here, Mr. Chairman, and I look forward to our committee to continue to publicize what is getting ready to happen to folks.

Mr. MARKEY. Gentleman's time has expired. The gentleman from Nebraska, Mr. Terry.

OPENING STATEMENT OF HON. LEE TERRY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mr. TERRY. Thank you, Mr. Chairman, and I just want to say hello to John and follow up on our last conversation where I e-mailed you and bragged about buying a new LG HD set that was on special at Nebraska Furniture Mart, so I am enjoying that, the transition, and it is the one that doesn't need a box, that is cable ready; one of the projects that we worked on and I would agree with all of the statements of my colleagues up here that we have to continue to build confidence in the transition and inform of the hard date and make sure that people aren't making mistakes in their purchases today or at least not making uninformed decisions when they go to Best Buy or Nebraska Furniture Marts of the world to buy a new television and that is why you are here today.

In an unrelated issue that I think is important to confidence in the transition to digital and high definition, is an issue that is more for the broadcasters and cable folks to be before us, but when a local broadcaster refuses to allow the HD signal to be aired on a cable network, which has occurred twice in Omaha, and so I want to bring that up because I think that destroys confidence in the transition at an early stage, so we are talking about how to build confidence from now until the transition date, but what is occurring right now, there is an erosion, when those signals are hijacked.

So I wanted to just put that out there and give it an opportunity. I may ask one of you what you feel about that. Now, with that laid on the table, I yield back to the chairman.

Mr. MARKEY. Gentleman's time has expired. Gentleman from Washington State, Mr. Inslee.

Mr. INSLEE. I will waive.

Mr. MARKEY. Gentleman from New York, Mr. Towns.

OPENING STATEMENT OF HON. EDOLPHUS TOWNS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. TOWNS. Thank you very much, Mr. Chairman, for holding this hearing. We need to make sure that DTV transition is handled smoothly because the benefits of transitioning are enormous, opening up desperately needed spectrum for first responders. I believe my constituents will support this transition if they know how to keep their TV signal and that they know why it is important. I look forward to hearing from our witnesses on how they plan to educate consumers and on what other ways Government or industry can take to prepare us.

First, let me welcome all of the witnesses and I am especially pleased to see Mr. Glenn Britt, the CEO of that fine cable company, Time Warner, a leader in the transition digital. Glenn's presence is a testament to his commitment to make the transition a success. I look forward to hearing his thoughts on educating the public about the transition and making the transition as seamless as possible.

There are varying estimates of the number of analog TV sets still in use and I am concerned that the outreach and implementation of this program will not be sufficiently targeted. How will one of my senior constituents know how to get and plug in their converter box? I have a very diverse district and how many different languages will the outreach be available for them. This level of detail in the program will be crucial to make sure our constituents don't lose their TV signal.

In addition, I am eager to hear the witnesses' concerns about converter box technical rules. We are right to address the consumer education and other issues, but I believe that any uncertainty in the box technical rules will have serious repercussions all the way down the line because of the delay of manufacturing, testing, approval and distribution. I am eager to hear from our witnesses on these crucial considerations and I thank them for taking the time to appear before us today. And Mr. Chairman, on that note, I yield back the balance of my time.

Mr. MARKEY. The Chair recognizes the gentlelady from Tennessee, Mrs. Blackburn.

OPENING STATEMENT OF HON. MARSHA BLACKBURN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mrs. BLACKBURN. Thank you, Mr. Chairman. I want to thank you and Ranking Member Upton for allowing me to participate in the hearing. This is an issue that is of tremendous importance to my constituents in Tennessee. So many are involved in the enter-

tainment industry. And we know that there is another side to this, also, which is the public safety aspects and the 24 MHz and having that spectrum made available and made available quickly.

I think that we would all agree that the problems that are before us with the issue are solvable problems and we should not focus on those; we should focus on what will be the end result, which is improved safety in the times of national disaster. This is something, as the gentlelady from California so beautifully stated, this has languished for too long. We have allowed procrastination to take hold and this process not to be completed. The legislation has been passed. We know that this is something that should be done and done in a timely manner and that there should be not one single excuse accepted for missing this deadline.

I look forward to hearing from our witnesses and again, I thank you for the opportunity to participate.

Mr. MARKEY. The gentlelady's time has expired. All time for opening statements by members of the committee has expired.

We will now turn to our panel. Our panel consists of Mr. John Taylor, who is vice president of public affairs for LG Electronics, a manufacturer of consumer electronics devices. Mr. Taylor represents LG in matters before Congress and the executive branch. James Yager, who is the chief executive officer of Barrington Broadcasting, a consortium of 21 local television stations located throughout the United States.

Mr. Alex Nogales is president and chief executive officer of the National Hispanic Media Coalition, a nonprofit advocacy organization that represents the interests of Latinos in telecommunications policy. Next, Mr. Glenn Britt, who is the chief executive officer of Time Warner Cable, the Nation's second largest cable television operator. Next, it is our honor to have with us Ms. Mary Fetchet, who is the founding director of Voices of September 11th, an advocacy organization that represents families who lost loved ones in the World Trade Center attacks. Thank you for coming today.

And finally, Mr. Michael Vitelli, who is senior vice president of consumer electronics and general manager of Home Solutions Operating Group for Best Buy. Mr. Vitelli is responsible for Best Buy's consumer electronics product lines. So each of you will have 5 minutes and then we will go to questions from the subcommittee members. Mr. Taylor, when you feel comfortable, please begin.

STATEMENT OF JOHN TAYLOR, VICE PRESIDENT, PUBLIC AFFAIRS AND COMMUNICATIONS, LG ELECTRONICS USA, INC.

Mr. TAYLOR. Thank you, Mr. Chairman. My name is John Taylor. I am the vice president of public affairs for LG Electronics. I also serve as the chairman of the HDTV Committee for the Consumer Electronics Association and vice chair of the Video Division. I have been involved in HDTV personally for a number of years. In fact, I was at Zenith, Mr. Chairman, 20 years ago working on HDTV when you held that first hearing. We should all take great pride in the progress we have made over these years and we have really come a long way. I feel like we are on the 20 yard line and we are going to make the touchdown in just 692 short days.

A brief word on my company. We are one of the world's leading manufacturers of television sets and flat panel displays. LG is also

the parent company of Zenith, which was one of the primary developers of the digital television standard. But I think apropos to today, it is important to point out that LG Electronics is also one of the early developers of the digital to analog converter box in conjunction with our friends in the broadcast area with the Association for Maximum Service Television and the National Association of Broadcasters. Two companies, LG Electronics and RCA, developed prototype boxes to help define the specifications and create a reference designed for the industry.

Mr. MARKEY. Could you hold that up so the Members can see it?

Mr. TAYLOR. Sure.

Mr. MARKEY. Thank you.

Mr. TAYLOR. And I will discuss that a little more in few minutes. Three issues I would like to address today. The NTIA's specifications for these converter boxes; the pricing and timing and availability of the boxes; and this very important issue of consumer education.

First, the NTIA has now issued its specifications and rules which gives us, as manufacturers, the certainty we need to move ahead, complete the development of these boxes and prepare for mass production. The NTIA provides the appropriate level of features necessary to provide reliable reception and to enable consumers to use these boxes.

The NTIA correctly did not require additional features beyond the basic function of the box, which is to receive digital signals and output them to existing analog sets. This kind of box doesn't include a DVR, digital video recorder or a DVD player. It doesn't even output high definition. We have other products that do that and consumers will buy those beyond the coupon program.

But the NTIA did permit a number of valuable features not required, but as optional features that we think provide value. For instance, our implementation includes a very simple electronic program guide that allows consumers to navigate through these new digital channels, especially the new multicast channels that are coming from the broadcasters. And finally, the NTIA, in establishing minimum performance standards, we think, is very, very important to the success of the program to assure that the consumer experience measures and that consumers have a great experience when they get that box home.

Second, regarding the number of coupons and the box price. The number of coupons is really hard to put your finger on at this point. We have heard lots of numbers here this morning. We think that there will be a demand for tens of millions of boxes, but when you look at what is going to happen over the next 2 years, between now and February 2009, more than 60 million digital television receivers will be purchased by American consumers, separate from the coupon program. That is a result of the FCC's tuner mandate that requires all television sets shipped in interstate commerce, as of this past March, to have those digital television tuners. Our plan at LG Electronics is to introduce this converter box in time for early 2008 in time for the converter coupon program and expect it to sell for around $60.

Finally, consumer education efforts are really crucial to the success of the overall program and the manufacturers are undertaking

a vibrant consumer education effort. We are taking an active role in the new Digital Television Transition Coalition, whose singular goal is to assure that no consumer's analog TV goes without free over-the-air television service for lack of information. And even though we have just launched a month ago, there is a tremendous amount of momentum already with the Web site being launched and moving into multilingual Web sites and continuing that effort.

My company is preparing for the launch of this box and we will have a toll-free number for consumers to call, easy installation instructions so consumers can understand. This basically is the box that goes on Grandma's TV and Grandma needs to be able to hook it up herself. It has a very simple input and out put, simple instructions, should be able to use your existing antenna.

Finally, we are stepping up our sales training efforts, as well, to make sure that this is a successful activity and our colleagues in the industry are doing the same. I am proud to report that the consumer electronics industry will continue its efforts to educate consumers.

[The prepared statement of Mr. Taylor follows:]

TESTIMONY OF JOHN I. TAYLOR

Mr. Chairman and members of the Subcommittee, my name is John I. Taylor. I am senior vice president at LG Electronics USA, Inc. I also serve as chairman of the High-Definition Television (HDTV) Committee of the Consumer Electronics Association (CEA) and vice chairman of CEA's Video Division. I also represent LG Electronics as a founding member of the new Digital Television Transition Coalition. I welcome the opportunity to appear before you today to speak about the exciting transition to digital television (DTV).

LG Electronics USA is the North American subsidiary of LG Electronics, a $48-billion multinational electronics and communications firm. One of the world's largest manufacturers of television sets and of TV flat-panel displays, LG Electronics has established itself as a global digital leader, and its LG brand is among the fastest-growing in the United States.

LG Electronics also is the parent company of Zenith Electronics Corporation (Zenith), the U.S. technology company that developed the VSB (Vestigial Side Band) digital transmission system adopted by the Federal Communications Commission as the centerpiece of the Nation's DTV broadcast standard.

Decades ago, Zenith was instrumental in the founding of both the National Association of Broadcasters (NAB) and CEA. In addition to its long-time leadership in digital HDTV, Zenith pioneered industry standards for black-and-white and color television and is credited with the invention of countless industry-leading innovations, including Stereo FM radio, television stereo sound, television remote controls and flat color picture tubes, to name a few. Zenith was one of the first developers of HDTV technology, beginning in 1988. In 1993, Zenith helped found the Digital HDTV Grand Alliance, which developed the Advanced Television Systems Committee (ATSC) DTV broadcast standard.

Building on this extensive experience, and the combined strengths of LG Electronics' worldwide engineering and production capabilities and the Zenith R&D capability in the United States, LG Electronics has led the industry in optimizing DTV broadcast reception. In particular, LG Electronics' fifth-generation VSB chips, which eliminate multipath interference concerns, are considered top performers by both broadcasters and consumer electronics industry analysts.

As part of our commitment to driving the DTV transition to a successful conclusion, LG Electronics and its U.S. R&D lab, Zenith, partnered over the past two years with the NAB and the Association for Maximum Service Television in a joint effort to develop prototype high-performance, low-cost digital-to-analog converters to enable existing analog TVs to continue to receive free over-the-air broadcasts after the Nation's switch to all-digital broadcasting in 2009. This alliance with broadcasters accelerated LG Electronics' product development timetable, resulting in prototypes that meet the goals set forth by the National Telecommunications and Information Administration (NTIA) and the establishment of a state-of-the-art reference

design for the industry. So, I believe, it is obvious that LG Electronics has a significant stake in the digital transition.

The Committee is focused today on the status of the Nation's transition to digital television technology. Mr. Chairman, LG Electronics shares your view that successfully concluding this transition is of critical importance. This Committee has been instrumental in advancing DTV's deployment, and as a result, today we are seeing exciting marketplace developments involving digital technologies. Digital transmission offers incredible high-resolution video, and anyone who has experienced HDTV becomes an instant believer in this technology. In addition to these benefits, the digital transition provides an opportunity to return spectrum for important governmental objectives (including public safety and homeland security needs) and to deploy new commercial technologies for consumers.

Many important issues are associated with the DTV transition, including manufacture of boxes compliant with NTIA's requirements; government assistance to help consumers purchase boxes capable of converting free, over-the-air DTV broadcast signals for viewing on their existing analog TV sets; and consumer education. Please permit me to address these three areas this morning.

When LG Electronics testified before this Subcommittee in 2005, we stated that factors such as the level of technology and unit sales volume influence any estimate of converter box costs. NTIA now has issued technical specifications for converter boxes eligible to be covered by the coupon program, giving manufacturers the certainty we need to prepare for mass production of these devices. The NTIA rules help manufacturers to know what we must build and to have some ability to estimate the cost of our converter boxes.

Consistent with the intent of Congress, NTIA's specifications provide an appropriate level of features necessary to provide reliable reception and to enable consumers to use the boxes satisfactorily. Some of NTIA's converter box elements are required, while others are permitted (but not mandatory). NTIA addressed encoding; output formats; Program and System Information Protocol (PSIP) processing; the range of capability for receiving radio channels; radio frequency input and output requirements; composite output; and interference levels. Also, NTIA required that converter box equipment must display all channels; must provide closed captioning, emergency alert systems, and parental controls; will include a remote control; and must meet energy efficiency standards. These parameters should yield converter boxes sufficient for average, non-technical consumers to enjoy the DTV experience.

We are pleased that NTIA did not mandate additional features that are not required to convert a digital over-the-air signal, as that would have increased the prices of converter boxes by a significant margin. Rather, NTIA permitted manufacturers to include a limited range of "no frills" functions in eligible converters so that they will be easy to use and perform well.

For example, NTIA permitted the optional inclusion of a simple electronic program guide (EPG), and this adds very little to a converter box's price. But the EPG will make the box much easier to use, and this is especially important because digital broadcasters can "multicast" or transmit multiple programming streams via their DTV signals. This multicasting greatly expands the number of program offerings made available to over-the-air television viewers. Allowing simple EPGs in eligible boxes will enable these viewers to navigate multicast channels and thereby maximizes the number of viewers able to enjoy the benefits of DTV technology.

In addition, we are pleased that NTIA's rules help to ensure that the performance quality of the converter boxes eligible for the coupons remains at a high level consistent with the needs and expectations of consumers. By adopting minimum performance requirements, NTIA has enhanced significantly the likelihood of success for the overall program by helping to assure that the devices eligible under the coupon program perform to the satisfaction of American consumers. NTIA's specifications are now clear, and at LG Electronics, we are moving forward rapidly to comply with these standards as quickly as possible.

Regarding Government assistance for consumers to purchase converter boxes, we are pleased that NTIA provided that households with analog-only sets reliant on over-the-air TV services are not excluded from participating in the coupon program initially. By NTIA's expanding the definition of households eligible to participate in the coupon program beyond that proposed in its original notice, the program should attract more interest and benefit consumers.

NTIA has recognized that many consumers may neither need nor want a coupon to purchase a converter box. Between now and February 2009, according to CEA estimates, American consumers will purchase more than 60 million television receivers and set-top boxes with over-the-air DTV tuning capability, independent of the converter box program. This is in addition to the 50 million DTVs purchased by consumers in the past 5 years (2002–06).

While it is unclear how many of these have actually displaced or will displace older analog-only TVs, these receivers no doubt will impact the number of American households needing a low-cost converter box under the coupon program. Given the rapidly growing number of households that are expected to have access to digital signals—either over-the-air, via cable or by satellite—well before the transition's end in 2009, we are hopeful that sufficient funds will be available in the coupon program to ensure that converter boxes are provided to all households that need them.

With regard to the price of converter boxes, LG anticipates that its converter boxes meeting NTIA's specifications should be available to consumers for around $60. Manufacturers anticipate producing tens of millions of converter boxes. Given this number, and with the certainty provided by NTIA's specifications, LG Electronics thinks that boxes can be available in our $60 price range for retail distribution by early 2008.

Finally, we are pleased that, pursuant to Congressional direction, NTIA addressed the critical need for a vibrant consumer education effort related to the DTV transition. As you probably know, there is a cross-industry consumer education effort related to NTIA's program and the DTV transition generally.

Spurring consumer interest in the converter box program and ensuring that consumers' participation in the program is not burdensome will require a broad-based effort that involves the government and multiple industries and stakeholders. As an active participant in the new DTV Transition Coalition, LG Electronics is fully committed to working with the government, our major retailers, and our colleagues in the consumer electronics and broadcast industries to facilitate the program's success.

In particular, we are intensifying our own sales training efforts with retailers and collaborating with broadcasters to promote DTV technology. We also maintain an informative DTV Web site guide *(http://us.lge.com/GuidetoHDTV/what/index.html)*, which introduces consumers to the features available through DTV technology. We will update this Web site on an ongoing basis with valuable information about the DTV transition and the converter box program.

Consistent with NTIA's efforts to encourage manufacturers and retailers to provide adequate information to consumers to ensure that they fully understand how to install and use their converter boxes, LG will implement a special toll-free number that consumers can call to receive assistance with installing and connecting their new LG converter boxes. LG's converter boxes also will feature an easy-to-follow installation guide that includes simple instructions in multiple languages. We anticipate that these efforts will help consumers to use the devices, and prevent them from unnecessarily returning boxes to retailers.

Of course, the converter box program is just one aspect of the digital transition effort. By 2008 there will be a range of options, including very affordable integrated DTV receivers. Those who want high definition reception and other features will pay more, just as they do today for progressive-scan DVD players. Manufacturers such as LG Electronics are doing our part to offer consumers a wide array of quality DTV products at affordable prices. Product prices will continue to decline, as they have done since DTV's introduction in 1998, and this will speed the transition.

LG Electronics commends this Committee for its efforts to advance the digital transition, and for its attention to avoiding potential disruption to consumers when the final switch-over to digital broadcasting occurs. We look forward to continuing to work with you to ensure that all Americans are able to enjoy the tremendous benefits of digital television.

I am, of course, pleased to respond to any questions you may have, and I appreciate the opportunity to appear before you today.

Mr. MARKEY. Gentleman's time has expired. What we could do is actually bring out a TV set and ask a grandmother in the audience to take that box and to put it on very simply and see how long it takes Grandma to do it with the instructions handed to her. I bet she beats members of this committee. I thought grandmothers just called their grandchildren.

Ms. HARMAN. Sorry, I am a grandmother. I am volunteering for this exercise. I am a lot less talented than some on the other side, obviously.

Mr. MARKEY. Mr. Yager, you are recognized for 5 minutes.

STATEMENT OF K. JAMES YAGER, CHIEF EXECUTIVE OFFICER, BARRINGTON BROADCASTING CO., LLC

Mr. YAGER. Thank you, Mr. Chairman. Thank you, Ranking Member Upton and members of the subcommittee. My name is Jim Yager. I am the chief executive officer of Barrington Broadcasting, which owns and operates 21 television stations in medium and small markets across the country. I am testifying today on behalf of the National Association of Broadcasters and the Association for Maximum Service Television, Incorporated.

We are here today to talk about the transition to digital television or DTV. America's broadcasters are taking the DTV challenge head on. As of last month over 90 percent of full-powered television stations are providing digital programming, which was achieved at a cost of nearly $5 billion to the television industry. Of those stations remaining, many have faced specific technical problems; for example, the construction delays in New York City. According to recent NAB surveys, about 40 percent of Americans have any idea that the DTV transition is underway and among those who do, only 1 to 3 percent realize that the transition will be completed by February 2009.

In all, NAB estimates that 69 million television sets will potentially be impacted by the DTV transition. In other words, we have a lot of educating to do. The good news is that broadcasters take that educational campaign very seriously. Once consumers become aware of the transition, they will learn that they have three options to navigate it. First, consumers can obtain a DTV converter box that will convert the new digital signal for display on analog television sets. Second, consumers can buy new television sets with integrated digital tuners. Finally, consumers could decide to subscribe to a pay television service, like cable, satellite or telephone video service.

For our part, broadcasters are engaged in consumer awareness campaigns. NAB has hired a full-time staff dedicated exclusively to the DTV transition. We have commissioned research and conducted focus groups not only to measure the demographics of who will be affected by the transition, but determine where these viewers get their information and how to best frame the DTV message with consumers.

We have undertaken an active media campaign, not only gaining stories in national media, but in local newspapers and on local newscasts, as well. We will kick off a large speakers bureau, utilizing local station talent for community appearances at the local level. We are working on the launch of a DTV road show where we will have a van that goes from location to location with DTV demonstrations to help generate buzz on the transition. We are also helping coordinate a large coalition of organizations, 27 at last count, to help bring everyone who has an interest in smooth transition on to the same message regarding digital. In fact, AARP joined the coalition just yesterday.

The coalition has launched a consumer Web site and local stations will also be launching their own Web sites. NAB has proactively met with European officials who have completed or are in the midst of their own DTV transition. We are also reaching out to NTIA and the FCC to ensure that our messaging is consistent

and resonates with the American public. Broadcasters view our public service announcements as the real currency of the DTV marketing campaign. We are prepared to launch PSAs across the country beginning in 2008 to raise public awareness about the transition and consumer options.

We may also employ crawls at the top of our screens during programming to complement the PSAs. We believe those PSAs should begin when the converter boxes become available to avoid any consumer confusion. The broadcasters and the coalition group cannot educate consumers by themselves. We want to work in partnership with the Government and each of you in Congress. For instance, we will supply you with articles for your constituent newsletters and DTV kits to educate your constituents in town meetings in your individual district.

The NTIA coupon program is also in step in the right direction, but more needs to be done. All consumers who have analog sets that rely on over-the-air television signal should have access to coupons, especially those in under-served communities. Lower income households, minority people living in rural areas and seniors will be disproportionately impacted by the transition and the coupon program needs to work for them. Finally, other countries have successfully utilized a 1–800 number to provide consumer information and the FCC and NTIA may want to consider a similar program.

The bottom line is that television will change dramatically on February 17, 2009. The benefits of going digital are remarkable. Public safety will get its much needed spectrum and consumers will see clearer pictures, more programming and high definition television. And while we all have a lot in front of us, from broadcasters to retailers to manufacturers to you in Congress, we can join our efforts to make this happen in February 2009.

Thank you, Mr. Chairman, Ranking Member Upton, for inviting me to testify. I look forward to answering your questions.

[The prepared statement of Mr. Yager follows:]

Statement of K. James Yager
Chief Executive Officer
Barrington Broadcasting Co., LLC

On behalf of the National Association of Broadcasters and the Association for Maximum Service Television, Inc.

Hearing before the House Committee on Energy and Commerce
Subcommittee on Telecommunications and the Internet
March 28, 2007

Good morning Chairman Markey, Ranking Member Upton, and Subcommittee Members, my name is K. James Yager. I am the Chief Executive Officer of Barrington Broadcasting, which owns and operates 23 television stations in medium and small markets across the country. I am also a member of the Board of Directors of the National Association of Broadcasters (NAB) and of the Association for Maximum Service Television, Inc. (MSTV), on whose behalf I am testifying today. NAB is a trade association that advocates on behalf of more than 8,300 free, local radio and television stations and also broadcast networks before Congress, the Federal Communications Commission and other federal agencies, and the Courts. MSTV is a trade association of local broadcast television stations committed to achieving and maintaining the highest technical quality of the local broadcast system.

I'd like to talk about three things today: the purpose of the transition to digital television or DTV; the progress so far in bringing about this transition; and what still needs to be done to complete the transition and minimize disruption to viewers and to others. These past efforts and future responsibilities cut across industries and government bodies including Congress, the Federal Communications Commission (FCC), and the National

Telecommunications and Information Administration (NTIA). The broadcast industry is committed to continuing its cooperation with all stakeholders as we move towards February 17, 2009 and beyond. Broadcasters are committed to a successful digital television transition, and we are doing all we can to make it as seamless as possible for all consumers. Our primary goal is not to let any analog over-the-air television go dark on February 17, 2009.

I. PURPOSES OF THE DTV TRANSITION

The digital transition has been a monumental undertaking involving the government and various industries, the intention of which was and is to make efficient use of our valuable spectrum and enable free, over-the-air local television stations to provide the highest quality service to American consumers. Over the past twenty-five years it has become clear that all communications services and all media are moving to digital technologies, and the public's free television service has to do the same.

Congress, which held its first hearing on high definition in 1981, the FCC and the industry have agreed that the transition is in the public interest. Digital technology offers service of far higher quality -- much better pictures, better sound and screen dimensions far better suited to the human eye. The new technology also offers the prospect of additional programming services all within the same 6MHz bandwidth that each television station had always operated on. As digital technology has continued to advance, the high definition service it offers not only improves quality and reliability, but also the opportunity for beneficial multicast programming.

Perhaps most significantly, because the digital technologies are more robust than the analog technology they are replacing, stations can be packed closer together without causing destructive interference to the public's over-the-air service. This makes it possible after the transition to reduce the amount of spectrum needed for over-the-air television stations. Some of

the left-over or returned spectrum will be used for public safety needs -- needs we have all become acutely aware of in light of the events of September 11, 2001. Some of the freed spectrum will be auctioned for other innovative uses at substantial benefit to the U.S. Treasury.

II. IMPLEMENTATION OF THE DTV TRANSITION TO DATE

As you all know, this is an effort that cuts across the government and industry -- several industries in fact -- and it requires ingenuity, cooperation and very large investments of time and money. The interest of American consumers must remain paramount in all the various stages of this effort.

The transmission standard

A first step was to devise, test and adopt a new transmission technology. At one point there were 24 candidate systems. The industry -- NAB, MSTV, the networks, the Consumer Electronics Association (CEA), PBS and eventually Cable Labs -- built and operated a testing lab that evaluated the various competing transmission technologies using the most sophisticated and rigorous testing facilities and procedures ever applied to television service. The industry testing organization worked closely with the Advisory Committee on Advanced Television Systems, established by the FCC under the Federal Advisory Committee Act. That Committee represented the broadest possible set of constituencies. Out of that process emerged the digital transmission standards that the FCC eventually adopted and that accommodated 18 different digital formats for maximum flexibility.

Even this massive undertaking could not develop a technology incorporating high definition service over the then current analog facilities at either the transmission end or the reception end of the distribution chain. Instead, it became clear that in order to implement the

transition, a new digital transmission system had to be built and then operated in parallel with the analog transmission system already in place. This meant a second set of towers, antennas, transmitters, etc. for each television station, and new television sets for each consumer. It meant also that programming would have to be created in high definition, leading to replacement of production facilities and equipment eventually across the board.

The DTV channel allotment challenge

From the start, the broadcast industry worked hand-in-hand with the FCC to find a way to assign digital television channels to all existing television stations -- effectively doubling the number of stations while utilizing no more spectrum than what existed in the then current analog television band. The goal was at least to replicate stations' analog service areas and in a substantial number of cases to expand their service areas, while protecting the public's existing television service from interference. This was a complex but essential step to bringing the benefits of DTV to the American public. About a decade ago, after a long period of highly sophisticated engineering work and broadcast industry consensus building, MSTV, NAB and other broadcast organizations submitted a proposed DTV Table of Allotments to the FCC that would accommodate all existing broadcasters during the transition. In April 1997, the FCC adopted its initial DTV Table with only limited adjustments. Even though spectrum congestion meant that many broadcasters would suffer some interference on either their current analog or DTV channels, the industry stood behind that Table because it was fair, principled and critical to moving forward with the DTV transition. Indeed, out of the 1600 broadcast stations impacted by the new DTV Table, only one party challenged it, and did so unsuccessfully.

That was the table of allotments for side-by-side digital and analog operations on separate channels. The next step was to devise a table reflecting the completion of the transition,

when analog channels had been given back to the Commission, the amount of broadcast TV spectrum had been shrunk and only digital channels would be operating. To respond to that challenge, in May 2004 after more than a year of work, MSTV submitted to the FCC an industry consensus plan, this time for assigning final DTV channels to all full power television stations and clearing 18 television channels from 52-69 for public safety and other commercial uses that were to be auctioned.

This industry proposal was designed to ensure an orderly, logical and principled channel election process that would promote maximum digital service to the public, preserve and enhance viewers' existing television service in the digital age, and fulfill the promise of DTV that so many have heavily invested in. The industry worked closely with the FCC to refine this channel election process, and it proceeded smoothly and successfully, resulting in the proposed final DTV Table now under consideration by the FCC. Because of this partnership between the broadcast industry and the FCC, the table is set to successfully migrate our full power television service to digital -- while at the same time returning 30 percent of the existing analog television band, worth billions of dollars, for other uses, particularly for public safety.

Though the basic allotment framework is sound and huge strides have been made in implementing it, much remains to be done with respect to moving to the new digital channels and turning off the old analog channels in a manner that will avoid viewer disruptions.

Construction of stations' DTV facilities

Beginning in the late 1990s, stations began to construct and turn on their DTV facilities. For stations, this was a lonely and expensive experience. Very few viewers had HDTV television sets that would enable them to receive the stations' HDTV service. In fact, in the Washington area there was a small network of viewers who had each others' telephone

numbers and would exchange information about digital television. There was also very little high definition programming available to transmit.

The Advisory Committee on Advanced Televisions Systems had estimated that it would cost each station approximately $10 million to make the full facilities transition -- a cost that is similar in large markets and small. The tragedy of 9/11 severely delayed the build-out in New York, and a protracted zoning battle in Denver had a similar consequence. International coordination issues slowed the build-out in areas near the Canadian and Mexican borders. In numerous other markets, other local issues had to be overcome.

Despite these obstacles, almost all stations have constructed and are operating their digital facilities. As of February 28th, 1,599 out of 1732 FCC-licensed full-power television stations were providing programming in digital. Broadcasters have spent nearly $5 billion upgrading their transmissions systems for digital broadcasts. Of those left, many have specific technical hurdles – for example, the delay on the construction of the Freedom Tower in New York City. Hundreds of television stations have already begun to use their digital multicast channels to provide news and local programming, weather, sports, and foreign language programming, and all of the major television broadcast networks now provide high-definition programming.[1]

The costs to stations of the digital transition continue today. Broadcasters have constructed and put on the air their digital transmission facilities, but a second wave of costs to convert local programming and all other station equipment to digital is just beginning. In

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[1] Twelfth Annual Report, *Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming*, MB Dkt. No. 05-255 (rel. March 3, 2006), at para. 17.

addition, over the last ten years, stations have been incurring a double set of operating costs due to transmitting in both analog and digital, while no additional revenue has been generated. The following chart shows that, at most, digital television revenues in 2005 constituted 0.2 percent of a broadcast station's entire revenues:

Digital Broadcast Operations Revenue[2]

Includes affiliated stations: ABC, CBS, FOX, NBC

Market Size	2005 Average Dollar Amount	% of Net Revenue[3]
All Affiliate Stations	**$6,455**	**0.0%**
1-25	**$2,891**	**0.0%**
26-50	**$8,982**	**0.0%**
51-75	**$13,265**	**0.1%**
76-100	**$869**	**0.0%**
101-125	**$13,675**	**0.2%**
126-150	**$3,171**	**0.1%**
151-175	**$1,158**	**0.0%**

The costs of the DTV transition, however, are not only on broadcasters. Consumers too must purchase digital televisions or converter boxes for their current analog television sets in order to receive the clearer pictures and other benefits that digital offers. NAB

[2] Data derived from the 2006 NAB/BCFM Television Financial Survey database. Digital Broadcast Operations Revenue is defined as any revenue derived from digital broadcast operations. Any multicast advertising revenues are included.

[3] Net Revenues is defined as a total of gross advertising revenues, plus network compensation, plus trade-outs and barter, plus digital broadcast operations revenue, plus other broadcast-related revenues minus agency and rep commissions.

and MSTV have been particularly concerned that consumers should have a cost effective means of receiving digital signals. To this end, in June 2005 MSTV and NAB sought proposals from electronics manufacturers to develop a prototype digital converter box that would achieve high quality, low cost and enhanced ease of use. These goals were quantified in detail in the Request For Quote issued by NAB and MSTV in mid 2005. After a thorough evaluation process, NAB and MSTV awarded contracts to LG Electronics/Zenith and Thomson/RCA in the fall of 2005. These companies' completed converter boxes underwent laboratory and real-world testing during 2006.

The results of the MSTV/NAB converter box project demonstrate several points. First, the minimum technical specifications proposed by NAB/MSTV/CEA and now adopted by NTIA are clearly achievable in practical products designed to be amenable to production in mass manufacturing quantities. Further, the project results provide tangible evidence that the minimum performance recommendations are a practical performance floor but not a technical ceiling -- a high-quality, low-cost converter box can be built with measured performance that significantly exceeds those recommended levels and the levels specified in the ATSC A/74 Recommended Practice on Receiver Performance. The range of measured performance results for the prototype converter boxes developed by Thomson and LG, compared with A/74 levels, are available on the MSTV website at:
http://www.mstv.org/docs/MSTVNAB%20prototypes%20performance.pdf.

The importance of this effort to develop practical converter boxes became ever clearer in early 2006, when Congress passed the Digital Television Transition and Public Safety Act of 2005 (P.L. 109-171) that imposed a February 17, 2009, cut-off date for analog television transmissions and established a converter box program to address the needs of owners of analog

sets not connected to cable or satellite. Congress charged NTIA with administering the converter box program, through which consumers could obtain coupons to offset the costs of purchasing converter boxes. An initial sum of $990 million was allocated, with an additional $510 million available if the initial funding is insufficient. Congress specified that not more than $5 million of the funds is to be spent on consumer education about the digital transition and the converter box program.

III. ACHIEVING A SUCCESSFUL DTV TRANSITION

Broadcasters have supported the hard give-back date for analog channels, and we are taking steps to ensure that the transition runs smoothly. A great deal needs to be done by the FCC, NTIA and the industry between now and February 2009 to facilitate a consumer-friendly transition. Let me address a few of those things.

First, significant technical and logistical challenges remain in getting every station to its final digital channel.

Of the 1600 DTV stations on the air today, some *600* must move to a new channel as part of the process that will free up 108 MHz of spectrum for critical public safety communications needs and for commercial uses to be auctioned. But in many of those 600 cases, the station's final DTV channel is presently occupied by another station's analog or transitional DTV station, creating a game of "musical chairs" in many parts of the country. Some states, such as Michigan, Texas, California, and Florida, have a particularly high number of stations facing these engineering and logistical challenges.

If Station X has to move to a particular DTV channel and it is currently occupied by a station that has to move to another channel, also currently occupied, and so on, one can

readily see the domino effect of potential problems. All it will take is a handful of stations that are unable to achieve their digital moves in a timely fashion, and, as a consequence, scores of station moves could be stalled, to the ultimate detriment of a smooth and timely transition. Changing to a new digital channel is not merely a matter of a station turning a switch. Antennas have to be installed or realigned and tower crews, in short supply, have to be appropriately deployed. And the FCC will have to issue construction permits, conforming license modifications and special temporary authorizations to enable these logistics to be worked out. If we are to meet the deadline, this work must start months and months ahead of February 17, 2009.

NAB and MSTV have urged that, as soon as possible, the FCC issue an Order adopting its Final DTV Table of Allotments, which should also include procedures to expedite the issuance of final DTV construction permits for those stations relocating to new channels. Such prompt action will provide the regulatory certainty essential to implementing the final channel relocation process.

The broadcast industry -- both commercial and public stations -- must do its part as well. To that end, MSTV has organized a "Rubber Meets the Road" campaign in coordination with state broadcaster associations. Through a series of in-person meetings across the country, the campaign seeks to educate and assist local broadcasters in developing transition plans that take into account in-market relocations and those of stations in adjacent markets. Stations are also encouraged to make early plans for the necessary equipment and tower crews and to coordinate channel changes with cable and satellite providers. The funding of public station channel moves may also be particularly problematic with those delays affecting other stations whose channel moves are dependent on theirs.

The process of transitioning to digital-only operation on stations' final DTV channels will be complex, requiring careful and prompt planning and coordination by both the industry and the FCC. The industry has pledged to work collaboratively with the FCC on these and other initiatives, which will pave the way for a timely and efficient relocation of stations to the final DTV allotment table.

Second, consumers should not be left with television sets that don't work after the digital transition.

Today, 19.6 million households, or approximately 17 percent of households, receive only free, over-the-air television on analog sets in their homes. A total of 34.5 million households receive some over-the-air programming on analog sets, with other sets in their homes connected to cable or satellite. This means that approximately 69 million television sets will potentially be impacted by the digital transition. It is no small task to assure that these viewers are not disenfranchised by the February 17, 2009 cut-off date.

The answer to the consumer transition lies in the converter box program Congress mandated in the Digital Television Transition and Public Safety Act of 2005. As you are aware, on March 13, 2007, NTIA published Final Rules to implement the Congressional coupon program for digital converter boxes to enable continued reception of television signals by analog sets after February 17, 2009. The Coupon-Eligible Converter Box (CECB) was the name chosen by NTIA for this unit.

The NTIA adopted the technical performance parameters for the converter boxes recommended jointly by NAB, MSTV and CEA during the comment phase of the NTIA proceeding. *See* attached Comments of MSTV/CEA/NAB submitted to NTIA, Sept. 25, 2006. These include specifications in critical areas such as RF sensitivity, dynamic range, phase noise,

interference rejection, echo handling, PSIP processing and display, video and audio decoding, input/output requirements and energy consumption. In addition, the NTIA standard includes additional features in a permit-but-not-require category that can add important features such as "smart antenna" technology. However, NTIA's criteria will not qualify boxes that go beyond the basic intended function of the converter boxes, such as digital or high definition outputs, integrated video displays, DVD playback and so forth.

It is significant that within days of the NTIA announcement of their Final Rules on digital converter boxes, both LG/Zenith and Thomson/RCA announced their intention to offer converter boxes for sale to the public in the early 2008 time frame.[4] As well, Samsung Electronics, a major manufacturer currently offering HDTV set top box products, recently announced their intention to introduce converter boxes.[5] Thus, a competitive marketplace for high quality digital converter boxes meeting the range of needs of consumers is reasonably assured. But, that step only assures that a high quality, consumer-product solution will be available.

Despite broadcasters' support for many of the technical elements adopted by NTIA, NAB continues to have concerns with the eligibility rules under the coupon program. Under NTIA's proposal, starting January 1, 2008, all U.S. households will be eligible to request up to two $40 coupons to be used toward the purchase of up to two digital-to-analog converter

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[4] *See* John Eggerton, "NTIA Gathers Input on Converter Box Program," *Broadcasting & Cable* (March 19, 2007); Deborah D. McAdams, "NTIA Seeks Converter Comments," *TV Technology.com* (August 23, 2006), available online at http://www.tvtechnology.com/features/news/2006.08.23-n_NTIA.shtml.

[5] Press Release, "Samsung Supports U.S. Commerce Department's Final Rules for NTIA Digital-to-Analog Television Converter Coupon Program," (March 14, 2007).

boxes. The program is divided into two phases. Under the first phase, the initial $990 million is available for all households with over-the-air analog television sets.

If the initial $990 million is used, NTIA decided to limit the eligibility of the remaining $510 million exclusively to over-the-air-only television households. Broadcasters maintain that the goal of the transition should be to prevent any and all over-the-air analog television sets from going dark after February 17, 2009, and unfortunately this proposal does not achieve that objective.

Broadcasters believe that all consumers who have analog sets that rely on an over-the-air signal should have access to these coupons. This is particularly important because many of those who have over-the-air analog sets tend to belong to underserved communities. Low socioeconomic brackets, minorities, those living in rural areas, and seniors will all be disproportionately impacted by the transition. The NTIA coupon program, in particular, needs to be successful for these most affected groups.

Broadcasters are also concerned that there will not be enough money to adequately fund coupons for every analog over-the-air television. If there are approximately 69 million over-the-air televisions, it is clear that $1.5 billion may not be sufficient to provide a coupon for each of these sets. NAB research shows that when asked, 25 percent of primary over-the-air consumers would opt for a coupon – but this number jumps to 33 percent once consumers learn something about the DTV transition. After a significant public awareness campaign, the percentage could go higher. As broadcasters and others begin to ramp up the public education effort, it is vitally important that the government be prepared to meet the consumer demand so no television goes dark.

Third, consumers must be informed that this transition is happening and must be educated about what steps to take.

Members of the public need to know what steps they must take so that their television sets don't "go dark" after the analog television cut-off, and they need and deserve other information about the transition as well. Unfortunately, many members of the public are inadequately informed or not informed at all as to what the DTV transition is and what it means for them. A recent NAB survey shows that a majority (56 percent) of over-the-air television viewers have never seen, read, or heard anything about digital television and the transition.[6] With fewer than 700 days to go, only 10 percent of the respondents were able to guess the right year when analog television transmissions would end.[7] Indeed, at this point, only 1 percent to 3 percent have any idea that the transition will be complete by February 2009. In other words, we have a lot of educating to do – and broadcasters will do our part.

Congress provided $5 million to NTIA for the purpose of consumer education in the Digital Television Transition and Public Safety Act of 2005.[8] NAB is concerned that it will take more than the current level of funding to adequately ensure that the American public is aware of the impending transition and of what steps consumers need to take to navigate the transition. Without adequate consumer education, there is a serious risk that millions of

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[6] *See* Press Release, "Countdown to February 2009: Digital Television Transition (DTV) Coalition Pledges to Alert Consumers About Transition From Analog to Digital TV" (Feb. 28, 2007). *See also* Patrick Seitz, "End Is Near for Over-the-Air Analog TV, Group Warns; Poll: Many Viewers Unaware; As Digital Transition Looms, Industry Coalition Launches Consumer Education Push," *Investor's Business Daily* (March 1, 2007).

[7] *Id.*

[8] Paul Gluckman, "Coupon Distribution to Start April 2008, NTIA's RFP Says," *Communications Daily* (Mar. 15, 2007). The FCC also has a consumer website available at http://www.dtv.gov.

households will be caught off guard -- and without access to over-the-air television -- when the transition occurs. For this reason, broadcasters and its Coalition partners are undertaking a broad and far-reaching education campaign in the hopes of not allowing any television to go dark.

NAB and MSTV, along with CEA, the Association of Public Television Stations, the Consumer Electronic Retailers Coalition and others, have formed a joint campaign to raise consumer awareness of the digital transition. It's called the Digital Television Transition Coalition, and it was formed because the responsibility for informing the public about what's happening and why cuts across industries. (*See* www.dtvtransition.org.) The Coalition currently has 25 member organizations, and we expect this number to grow.[9] The Coalition, which intends to work closely with NTIA and the FCC, will launch marketing and public education efforts (including paid and earned media placements) to convey accurate, consistent and needed information to the public.

In addition, NAB has formed a Digital Television Transition Team to spearhead the industry's efforts and to work with Congress, the FCC, the NTIA, and other industry and

[9] Coalition members currently include: American Association of People with Disabilities (AAPD), Affinity Marketing, American Cable Association, American Legislative Exchange Council (ALEC), Association for Maximum Service Television, Inc. (MSTV), Association of Public Television Stations (APTS), Cisco Systems, Inc., Consumer Electronic Retailers Coalition (CERC), Consumer Electronics Association (CEA), High Tech DTV Coalition, Home Theater Specialists of America (HTSA), Information Technology Industry Council (ITIC), Leadership Conference on Civil Rights (LCCR), LG Electronics, National Alliance of State Broadcast Associations (NASBA), National Association of Broadcasters (NAB), National Association of Counties (NACo), National Cable & Telecommunications Association (NCTA), National Coalition of Black Civic Participation, National Grocers Association (NGA), Public Broadcasting Service (PBS), Samsung Electronics, Satellite Broadcasting and Communications Association (SBCA), TitanTV Media, Washington Urban League.

consumer groups to provide information about digital transition issues.[10] Managed by a new Vice President of Digital Television Transition, with a full time media relations director, two directors of outreach, and a multimillion-dollar budget, this team will coordinate a national public affairs and consumer education campaign with the goal of ensuring that no consumer is left unprepared, by lack of information, for the end of analog broadcasting in February 2009. This new team will help coordinate the DTV Transition Coalition, described above, as well as manage NAB's own consumer outreach campaign.

Specifically, the NAB consumer education campaign has and will continue to utilize both survey research and focus groups to identify and market to those impacted by the transition. The campaign's media relations director will be making sure DTV has a presence in local, as well as national, publications and programming. With the help of local affiliates, NAB will spearhead a national speaker's bureau aiming for thousands of local speaking engagements nationwide on the transition. NAB will produce and distribute high-quality public service announcements for play on networks and local stations. Attached is a detailed draft of NAB's DTV consumer education campaign plan, which NAB expects to continue to evolve.

Fourth, viewers must be assured that they will receive from cable and satellite the quality of broadcast services that their sets are capable of receiving.

The guiding principle should be that, post-transition, all viewers with HDTV sets will receive HDTV service and all viewers with analog sets will receive analog service. This goal will be achieved in over-the-air homes because those consumers will have bought HDTV

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[10] Press Release, "NAB Announces Formation of Digital Television Transition Team" (Jan. 8, 2007).

sets or will have access to digital-to-analog converter boxes, if the NTIA's eligibility restrictions are liberalized.

Cable subscribers with HDTV sets should similarly have undegraded access to broadcasters' HDTV programming -- downconversion to a lesser format would squarely violate the statutory nondegradation requirement and unfairly deprive viewers of the full benefits of HDTV, after they have spent $1000 to $5000 for those sets in order to receive HDTV service. At the same time, cable operators must ensure -- consistent with the requirement in the FCC's rules that broadcast signals "shall be viewable via cable on all" subscriber sets -- that their subscribers with analog equipment do not lose access to their local stations as a result of the transition. The FCC has the authority and the obligation to make clear that cable and satellite must provide analog service to the analog sets owned by their subscribers. A cable system would have the flexibility to comply with this requirement by (a) sending two signals from its head-end -- a pass-through in HDTV of the digital signal and a digital signal downconverted to analog -- or (b) by installing downconversion equipment in individual subscriber homes. Congress should encourage the FCC to make this clear.

Fifth, the FCC should prohibit another form of cable degradation of broadcast signals, namely cable's stripping of broadcasters' multicast services.

From the beginning, Congress was aware of the capacity of digital technology to enable broadcasters to offer multicast services of potentially great benefit to the public. That potential has been shown to be even greater than first expected. About 800 television stations now offer multicast programming free to the public. These multicast services contribute to localism, provide news and information, cover local sports, provide network services otherwise unavailable in the market, make available outlets for local government and local educational

institutions, contribute to diversity and offer opportunities to minorities and for other niche programming. Clearly, the public – even those who only view television through cable – would be served by access to these new program streams. So far, however, many broadcasters have encountered resistance from cable operators who have denied carriage, delayed it, tried to add anticompetitive restrictions on carriage or used it as a bargaining chip in broader negotiations.

Stripping out these services violates at least two statutory provisions -- the prohibition against cable systems' degrading broadcast signals and the prohibition against cable systems' cherry-picking programs from a local broadcaster's program schedule -- and threatens the health and vitality of broadcast services for all viewers.

In the early days, some in Congress were concerned that broadcasters might provide multicast services *instead of* HDTV, but advances in compression technology make both possible and have resolved that concern. Congress has repeatedly directed the FCC to decide the issue of cable-stripping. Congress would not have given these directions if it believed that the FCC lacked the power to require multicast carriage.[11] Accordingly, the FCC should proceed promptly to prohibit cable and satellite from stripping multicast services from broadcasters' digital transmissions.[12]

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[11] *See* Supplemental Submission by CBS and NBC Affiliate Associations, *Carriage of Digital Television Broadcast Signals: Amendments to Part 76 of the Commission's Rules*, CS Dkt. No. 98-120 (filed June 8, 2006).

[12] Satellite carriage should be subject to the same requirements, with the FCC empowered to implement different timing for their imposition based on satellite's more limited but growing spectrum capacity.

Sixth, the spectrum used to deliver the public's digital television service must not be compromised by the introduction of untested, interfering technologies.

With all the public and private resources invested over the past two decades in the digital transition, it must not be sacrificed, compromised or jeopardized by introducing into the television band unlicensed technologies that are untested and promise speculative benefits. NAB and MSTV, accordingly, commend the FCC for putting America's digital transition first by precluding the introduction of such devices until after the end of the transition. Even then, however, any new devices allowed in the band must not interfere with the public's free, local and universal television service.

NAB and MSTV understand and support the need to provide the opportunity for additional wireless broadband opportunities, especially in rural areas. We agree this goal can be accomplished without endangering millions of TV viewers and consumers, including through the careful introduction of fixed wireless services (*e.g.*, WISPs) in such areas. But use of the television spectrum for interfering mobile products could unfairly deprive consumers of the benefits of digital television.

IV. CONCLUSION

The promise of over-the-air digital television is being realized. Its benefits for the public are even greater than were anticipated. To make these benefits a reality, we must deal with the risks of consumer disenfranchisement and confusion. To address these risks:

(1) industry and the FCC must press ahead with the complex and time-consuming task of completing the change-over to digital channels;

(2) the government must create a converter box program so that all sets can receive broadcast service after the transition;

(3) the government and the industry must intensify their efforts to educate the public about the transition;

(4) after the transition, the FCC must prevent cable and satellite from degrading HDTV broadcast services to HDTV homes and must assure that analog sets in subscriber homes continue to receive analog-quality service;

(5) the FCC must apply the statutory requirements against cable degradation and cherry picking of broadcasters' programming to prevent cable from stripping broadcasters' multicast services, and

(6) the FCC should protect the digital transition and the public's post-transition digital service from the interference that unlicensed devices could cause.

Chairman Markey, Ranking Member Upton, and Members of the Subcommittee, thank you for inviting me to participate in this hearing, and I am happy to answer any questions.

Mr. MARKEY. Thank you, Mr. Yager, very much. Mr. Nogales.

STATEMENT OF ALEX NOGALES, PRESIDENT AND CEO, NATIONAL HISPANIC MEDIA COALITION

Mr. NOGALES. Thank you. Mr. Chairman and members of the subcommittee, thank you for giving me the opportunity to speak to you today about the National Hispanic Media Coalition's concerns regarding the status of the digital television transition. My name is Alex Nogales. I am the president and CEO of the National Hispanic Media Coalition and HMC is a 21-year old non-profit Latino civil rights advocacy organization based in Los Angeles, California. We have 13 chapters nationwide and our mission is to improve the image of American Latinos as portrayed by the media; includes a number of American Latinos employed in all facets of media and advocate for media and telecommunications policies that benefit the Latino community.

In 2005 the Government Accountability Office reported that 21 million U.S. households rely solely on over-the-air television. These 21 million households included a disproportionate number of Spanish language speakers, one-third. Seven million people who will be impacted by the digital transition are Spanish language speakers. It is also estimated that one-third of the 21 million households include residents over the age of 50, many of whom live on fixed incomes. Million of these households will be in rural areas or will include persons with disabilities. Further, according to the National Association of Broadcasters, African American households are 22 percent more likely to rely exclusively on over-the-air reception.

In summary, households impacted by the digital transition will be minorities, low-income families living on a fixed income and requiring a well-defined and more specific educational outreach program than the overall population requires. I will refer to these groups as our target groups or target population. More specific educational campaign to these target populations must be proactive, consumer friendly and culturally and linguistically sensitive.

Appropriate outreach to disabled, minority, rural, low-income and senior citizens is essential. For example, the public service announcement promoting this initiative must include closed captioning for the hearing impaired and should be available in Spanish as well as other relevant languages. The call-in centers handling the voucher questions must include live operators that include Spanish speakers. Wait time should not go over 10 minutes and must accommodate telecom relay services to make it easier for the deaf to communicate by phone. And it is not sufficient to translate English materials to Spanish. Those doing the outreach must communicate with Spanish speakers in a manner where the message will be understood. Cultural awareness here is fundamental for the outreach campaign to be successful.

Congress allocated $5 million to the National Telecommunications and Information Administration to educate consumers about the DTV coupon program. The Federal Communications Commission or FCC, has only requested $1.5 million for consumer education effort in its 2008 budget request. That is a total of $6.5 million to educate 300 million, about 2 cents per person. To put this in perspective, when Berlin, Germany transitioned to DTV, it

spent $984,000 to educate about three million people, or 33 cents per person. Two cents versus 33 cents per person. Why is the city of Berlin willing to make this expenditure on its citizens, but our Nation?

I want to jump ahead a little bit. We strongly encourage the NTIA to bring in community based organizations, CBOs, to represent the disabled, minority, rural and senior advocates that will help develop a thorough outreach plan to ensure that the outreach and educational components of this program is solid and has no holes. We can't afford to make mistakes on a program that is a first come, first served program where the population that are most in need of these programs run the risk of being the last to hear about the program.

Already we see problems with the so-called one step clearinghouse of consumer information and tools provided by the NTIA and hosted by the DTV Transition Coalition. Its Web site has no consumer information in Spanish. How is that possible when we already know that one-third of the 21 million households that should be targeted consists of Spanish speakers? NAB estimates that about 5 percent of the population knows that the digital translation is taking place. I suspect the NAB is being optimistic. Not many people outside the beltway have heard about the digital transition and its possible impact on the households.

This past weekend I was in Calexico, California visiting my family, most of whom are bilingual. Calexico is a little rural town on the border with Mexicali in Mexico. While having supper, I asked several heads of households sitting at the table if they knew about the digital transition. None of them did nor did they understand how it was going to impact them. This was not a scientific full granted, but I am inclined to believe the target population, my large family included, is oblivious to the digital transition and the effect it will have on them. If the target population doesn't learn of the transition until the year it is going to take place, then I don't think we are ready to transition to digital.

NHMC also objects to the two-phased plan the NIT is proposing for the distribution of the coupons. The first phase, where $990 million is allocated——

Mr. MARKEY. Mr. Nogales, could you summarize, please?

Mr. NOGALES. Of course. Thank you for the time. A well-funded proactive consumer friendly and culturally sensitive outreach program needs to begin as soon as possible and should include a well-coordinated campaign that includes CBOs working closely with the NTIA. The money that is projected to be spent on the educational outreach program is not enough and should be supplemented. Since a predominantly high number of Spanish speakers will be impacted by this transition, bilingual and bicultural staff is essential.

For any educational campaign to be effective, it is not only relevant that the person be able to speak the language, but also understand the culture. English written materials should not be translated to Spanish as they are seldom culturally effective. Materials to the Spanish speaking should be original and the appropriate place to advertise to the Latino community should be carefully considered.

For example, Latinos, more than anyone else, consume a great deal of radio programming. A two-phased program with an added burdensome requirement for those that applies doesn't make sense.

Mr. MARKEY. Mr. Nogales, I appreciate the detail that you want to go into in your opening statement. Your entire witness statement will be placed in the record and I think you are going to be given plenty of opportunity during the question and answer period to further elaborate on what you think the Hispanic community will need in order to make a transition.

Mr. NOGALES. Very good. Thank you, Mr. Chairman.

[The prepared statement of Mr. Nogales follows:]

TESTIMONY OF ALEX NOGALES

Mr. Chairman and members of the Subcommittee, thank you for giving me the opportunity to speak to you today about the National Hispanic Media Coalition's (NHMC) concerns regarding the Status of the Digital Television Transition.

My name is Alex Nogales; I am the president and CEO of NHMC. NHMC is a 21-year old non-profit Latino civil rights, advocacy organization based in Los Angeles, California. We have 13 Chapters nationwide and our mission is to (1) improve the image of American Latinos as portrayed by the media; (2) increase the number of American Latinos employed in all facets of media; and (3) advocate for media and telecommunications policies that benefit the Latino community. NHMC is also the Secretariat for the National Latino Media Council, a national coalition comprised of 15 of the largest Latino Civil Rights Advocacy groups in the nation. Additionally, NHMC is an executive committee member of the Media and Democracy Coalition, a national coalition comprised of many of the largest mainstream media and consumer advocacy groups in the nation.

The transition from analog to digital television brings great opportunities but also great challenges. In 2005, the Government Accountability Office (GAO) reported that 21 million U.S. households rely solely on over-the-air television. Of these households, about 48% earn less than $30,000 per year per household. These 21 million households include a disproportionate number of Spanish language speakers: one-third or 7 million people who will be impacted by the digital transition are Spanish language speakers. It is also estimated that one-third of the 21 million households include residents over the age of fifty, many of whom live on fixed-incomes; millions of these households will be in rural areas or will include persons with disabilities. Further, according to the National Association of Broadcasters (NAB), African-American households are 22% more likely to rely exclusively on over-the-air reception.

In summary, households impacted by the digital transition will be minorities, low-income families, living on a fixed-income, and requiring a well-defined and more specific educational outreach campaign then the overall population requires. I will refer to the groups that I just mentioned as our target groups or target population.

A more specific educational outreach campaign to these target populations must be pro-active, consumer-friendly and culturally, linguistically sensitive. Appropriate outreach to disabled, minority, rural, low-income and senior citizens is essential. For example, the public service announcements promoting this initiative must include closed captioning for the hearing impaired and should be available in Spanish as well as other relevant languages. The call-in centers handling the voucher questions must include live-operators that include Spanish-speakers, wait time should not go over ten minutes and must accommodate telecom relay services that make it easier for the deaf to communicate by phone. And it is not sufficient to translate the English materials to Spanish. Those doing the outreach must communicate with Spanish speakers in a manner where their message will be understood. Cultural awareness here is fundamental for the outreach campaign to be successful.

Congress allocated $5 million to the National Telecommunication and Information Administration (NTIA) to educate consumers about the DTV coupon program. The Federal Communications Commission (FCC) has only requested $1.5 million for consumer education effort in its 2008 budget request. That's a total of $6.5 million to educate 300 million people, about 2 cents per person. To put this in perspective, when Berlin, Germany transitioned to DTV, it spent $984,000 to educate about three million people, or 33 cents per person. Why is the City of Berlin willing to make this expenditure on its citizens, but our Nation is not?

Furthermore, the FCC does not plan to begin its public education campaign until 2008, when the converter box coupons and the boxes are expected to be available on January 1, 2008. In our opinion, the FCC campaign is starting a year late. Consumers need to know about the DTV transition generally, and the coupon program specifically, as soon as possible, but certainly well before NTIA makes the coupons available to the public.

We strongly encourage the NTIA to bring in community based organizations (CBOs) that represent the disabled, minority, rural and senior advocates that will help develop a thorough outreach plan to ensure that the outreach and educational component of this program is solid and has no holes. We can't afford to make mistakes on a program that is a first-come, first-serve program where the populations that are in most need of these coupons run the risk of being the last to hear about the program. Already, we see problems with the so-called one-stop clearinghouse of consumer information and tools promoted by NTIA and hosted by the DTV Transition Coalition. Its Web site *www.dtvtransition.org* has no consumer information in Spanish. How is that possible when we already know that one-third of the 21 million households that should be targeted consist of Spanish Speakers?

NAB estimates that about 5 percent of the population knows that the digital transition is taking place. I suspect the NAB is being optimistic. Not many people outside the Beltway have heard about the digital transition and its possible impact on their households. This past weekend I was in Calexico, California visiting my family, most of whom are bilinguals, Spanish/English. Calexico is a rural area right on the border with Mexicali, Mexico. While having supper I asked the seven heads of households sitting at the table if they knew about the digital transition. None of them did, nor did they understand how it was going to impact them. This was not a scientific poll, granted, but I'm inclined to believe the target population, my large family included, is oblivious to the digital transition and the effect it will have on them. If the target population doesn't learn of the transition until the year it is going to take place, then I don't think we are ready to transition to digital.

Obviously, not enough has been done so far to educate our target groups that this historic change is taking place and that their over-the-air televisions will go dark after February 17, 2009 without a converter box. The outreach program needs to start today and more effort needs to be made by the NTIA, FCC and the DTV Transition Coalition to reach community-based organizations that focus on the target groups. We need more people outside of D.C. to know about the transition and be able to communicate in a clear and understandable manner to those that will be impacted.

Finally, NHMC objects to the two-phase plan that NTIA is proposing for the distribution of the coupons. In the first phase, where $990,000,000 is allocated, pay-TV customers will be able to apply for up to two $40 coupons per household to purchase converter boxes. The second phase is only open to households that certify in writing that they rely on over-the-air reception. So once the $990,000,000 is spent, those that apply late or do not find out about the coupon program in time will be burdened by an added certification that may deter them from applying. Changing eligibility mid-course will result in needless customer confusion. Indeed, the certification will be a deterrent to low-income families, especially those that do not dominate the English language. Ladies and gentleman, I have no doubt that the disenfranchised population that will be the most impacted by the digital transition will be the last to apply for the coupons. This being the case, having to certify in writing that they rely on over the air reception is just adding an additional burden that will lock many of them from applying for converter boxes. A two phase-plan with an added burden for those that are hardest to reach doesn't make a lot of sense. If the reason for this two-phase system is because NTIA thinks there is a likelihood that the program will run out of funds before all the impacted households have obtained their coupons, then NTIA should go back to Congress and ask for additional funding.

Summary:

- A well-funded pro-active, consumer-friendly, and culturally sensitive outreach program needs to begin as soon as possible and should include a well-coordinated campaign that includes CBOs working closely with the NTIA.
- The money that is projected to be spent on the educational outreach program is not enough and should be supplemented.
- English-written materials should not be translated to Spanish as they are seldom culturally effective. Materials to the Spanish-speaking should be original and the appropriate place to advertise to Latinos should be carefully considered. For example, Latinos more then anyone else consume a great deal of radio programming.

Mr. MARKEY. Thank you, sir. Next we will hear from Mr. Britt. Welcome.

STATEMENT OF GLENN BRITT, PRESIDENT AND CEO, TIME WARNER CABLE

Mr. BRITT. Thank you, Mr. Chairman, Mr. Upton and Mr. Barton and members of the subcommittee. We, at Time Warner Cable, are one of the leaders in the conversion to digital. We provide our customers with high quality digital video services like high definition television and video on demand, as well as Internet access service and digital phone service. As of last December, approximately 7.3 million, or 54 percent of our video customers also subscribed to digital video services and 1.9 million of those customers had taken our high definition service.

We encourage our subscribers to move to high definition service by providing HD boxes at no additional cost over digital. Mr. Chairman, now that Congress has established a hard date for the end of analog broadcasting, I think all of the affected industries and elected officials have a common goal and that is to make sure that all of our consumers and your constituents are not left in the dark at midnight on February 17, 2009.

The cable industry is ready, willing and able to work with you and our industry partners to achieve this important goal. And to that end, in January 2007, NCTA, CEA and NAB agreed to join forces to form the DTV Transition Coalition. This coalition is comprised of a broad range of diverse entities representing affected industries and interest groups. This privately funded initiative will engage in coordinated marketing and public education strategies to help television viewers better understand the nature of the transition and to provide information about steps that consumers may need to take to maintain the over-the-air television signals.

The coalition has launched a Web site targeted to consumers that offers information, important information about the transition and we will include this information in Spanish, as well. In addition, Time Warner Cable has established an internal working group to create a comprehensive plan to ensure our customers understand exactly what they need to do and maybe just as importantly, what they don't need to do.

We will train our customer service representatives to answer the tough questions consumers will raise as the hard date gets closer. We will also reach out to all of the populations we serve, including a large number of Spanish speaking customers we have in Texas, California, New York and the Carolinas. We stand ready to commit the resources to help make this transition a success.

Though an increasing number of customers are opting for digital cable services, a vast number of televisions are not equipped to receive digital signals. NCTA estimates that just in the homes of cable customers, there are 134 million analog television sets that are not equipped to receive digital transmissions or are not connected to additional set top box. With so many analog TVs still on the market, cable operators have a huge stake in ensuring that the digital transition is seamless for all our customers.

Each cable operator's first priority is to make certain that its customers do not suffer any disruption in their television service. We

believe we have the flexibility to ensure their customers can, on the first day of digital only broadcasts, continue to watch all of the stations they receive today on their existing televisions. This flexibility permits cable operators to employ a variety of solutions to ensure a seamless transition from the consumer's viewpoint.

For instance, the cable operator may decide to convert the digital broadcast signal to an additional analog format at the head end and under this option, cable customers can continue to receive the service on analog television without a set top box. In cable systems that have significant digital penetration, another option might be to deploy digital set tops to every consumer. This option, however, would require these consumers to change equipment or to add a set top box where maybe they didn't have one before.

Thanks to Congress and the NTA, cable customers will be able to have the ability to obtain coupons to purchase digital to analog converter boxes that will make the over-the-air digital broadcast signals available on analog TV sets that are not connected to cable. We look forward to continuing to work with you and other members of this committee on our shared goal of promoting an affordable and seamless digital transition. And I would be pleased to answer any questions during the Q and A period.

[The prepared statement of Mr. Britt follows:]

TESTIMONY OF GLENN BRITT
PRESIDENT AND CEO
TIME WARNER CABLE

on

The Digital Television Transition

before the

SUBCOMMITTEE ON TELECOMMUNICATIONS AND THE INTERNET
COMMITTEE ON ENERGY AND COMMERCE
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

MARCH 28, 2007

INTRODUCTION

Chairman Markey, Congressman Upton, members of the subcommittee, my name is Glenn Britt and I am President and CEO of Time Warner Cable. I appreciate your invitation to testify today about the transition to digital television and what needs to be done to ensure that all Americans have access to their local broadcast stations when we switch to digital broadcasting on February 17, 2009.

Time Warner Cable is the second-largest cable operator in the U.S. and is an industry leader in developing and launching innovative video, data and voice services. As of December 31, 2006, Time Warner Cable had cable systems that passed approximately 26 million U.S. homes with approximately 13.4 million basic video customers. Approximately 85 percent of our customers are located in one of five principal geographic areas: New York state, the Carolinas, Ohio, southern California and Texas. As of February 1, 2007, Time Warner Cable was the largest cable system operator in a number of large cities, including New York City and Los Angeles.

Time Warner Cable has been an industry leader in introducing new services, including enhanced video services like high definition television (HDTV) and video-on-demand (VOD), high-speed Internet access and Internet protocol (IP)-based telephony. As of December 31, 2006, approximately 7.3 million (or 54%) of Time Warner Cable's 13.4 million basic video customers subscribed to digital video services, 6.6 million (or 26%) of high-speed data service-ready homes subscribed to a residential high-speed data service and 1.9 million (or 11%) of voice service-ready homes subscribed to our Digital Phone service.

Mr. Chairman, now that Congress has established a hard date for the end of analog broadcasting, all industries and elected officials have a common goal—to make certain that our customers and your constituents are not left in the dark at midnight on February 17, 2009. The cable industry is ready, willing, and able to work with you and our industry partners to achieve this important goal. The challenge before us is multifaceted. First, we must make certain that consumers are fully aware of the transition and what steps they need to take, if any, to continue receiving broadcast television signals after the transition to digital. Second, the cable, broadcast and consumer electronics industries must continue to give consumers the option and incentive to make the transition to digital before the cutoff date. And, finally, as the analog cutoff date looms, we must be

prepared to ensure that broadcast television service is uninterrupted on the tens of millions of analog sets that are not equipped to receive digital signals.

AN INDUSTRY-WIDE EDUCATIONAL EFFORT

NCTA has been collaborating closely with the National Association of Broadcasters (NAB), the Consumer Electronics Association (CEA), and other important industry and civic groups to lay the groundwork for an extensive consumer education initiative to ensure that no American household lacks the information and tools to transition from analog to digital television. In January 2007, NCTA, CEA, and NAB agreed to join forces to form The DTV Transition Coalition, a unified DTV education initiative. The members of the steering committee are the Association of Public Television Stations (APTS), the Consumer Electronics Retail Council (CERC), the Leadership Conference on Civil Rights, LG Electronics, the Association for Maximum Service Television (MSTV), and the National Telecommunications and Information Administration (NTIA). The Coalition itself is made up of a broad range of diverse entities representing affected industries and interest groups.

The privately-funded initiative will use marketing and public education strategies to help television viewers better understand the nature of the transition, become educated about the changes that will occur before February 2009, and provide information about steps consumers may need to take to maintain their over-the-air television signals. The Coalition also launched a website targeted to consumers – dtvtransition.org – which offers a fundamental explanation of the transition, provides historical background and context for the change, offers a glossary and explanations of DTV applications and technology, and alerts consumers as to the steps they can take to retain free over-the-air television as the transition is completed.

The cable industry itself is also working to determine what specific information should be provided to our customers. As part of that effort, the Cable & Telecommunications Association for Marketing (CTAM), working in close collaboration with NCTA, has convened a Digital TV Transition Committee comprised of leading cable marketing executives to help cable operators and programmers communicate with their own customers and viewers about the ramifications of the digital transition.

The cable industry recognizes that more work need to be done to devise a comprehensive consumer education plan. This effort must include traditional means of reaching millions of consumers such as public service announcements, bill inserts, toll free numbers and websites. In addition, we must employ creative methods to connect with our customers such as community outreach programs utilizing our local employees and civic organizations. Our education efforts cannot merely be run from corporate offices around the country if it is going to be successful. Finally, we must ensure that our efforts take into consideration those populations most likely to be adversely affected by the transition such as people for whom English is a second language and members of the disabled community. Time Warner Cable, with NCTA, stands ready to work with our industry partners to commit the resources necessary to ensure the digital transition is a success.

CABLE IS LEADING THE BROADER NATIONAL TRANSITION TO DIGITAL

The broadcasters' transition from analog to digital is only a small part of the larger digital transition that is occurring in every area of our nation's economy. Since 1996, cable operators have completely rebuilt their facilities. This was spurred, in part, by the deregulatory steps Congress took in the Telecommunications Act of 1996. With an investment of more than $100 billion, operators have replaced coaxial cable with fiber and installed new digital equipment in homes and system headends, thus enabling the transmission of voice, video, and Internet services in digital format. As a result, cable customers are already enjoying a full complement of digital programming and advanced information services independently of the broadcasters' conversion to digital. This is highlighted by the fact that more than half of all cable video households now subscribe to digital video service. As of year-end 2006, 32.6 million households were receiving digital service from their cable operators and that total has been increasing by more than one million households in recent quarters. As I mentioned earlier Time Warner Cable's digital penetration as of year-end 2006 was approximately 7.3 million subscribers or 54 percent of our video subscriber base.

Cable customers can purchase digital programming tiers that include a diverse array of video networks and commercial-free music channels. Digital customers also have access to video-on-demand programming, digital video recording, and electronic program guides. These features allow programs to be viewed at the customer's convenience and at a time of the customer's choosing. They also allow cable subscribers to block

access to programming they do not want their children or households to see. All of cable's digital services can be enjoyed by consumers with analog sets who use digital set top boxes that convert digital signals to analog.

And without any government mandate, cable operators are voluntarily carrying the vast majority of local broadcasters' digital signals, including HD signals. As of June 2006, local cable systems were carrying the digital signals of 788 unique broadcast stations. In addition, a number of operators are carrying a full digital simulcast of all local broadcast stations, which digitizes the analog broadcast signal providing a high-quality digital picture for subscribers with a digital set top box. By June 2006, Cable operators were capable of providing HD services to 97 million U.S. television households, which represents all of the top 100 designated market areas (DMAs). Of all DMAs, a total of 203 (out of 210) were served by at least one cable system that offers high-definition programming. In addition to the high definition broadcast signals carried by cable operators, cable's HD customers receive a wide selection of high definition cable programming, including 30 cable networks that are transmitting in HD.

GETTING READY FOR FEBRUARY 2009

Though an increasing number of consumers are opting for digital cable services, a vast number of televisions in cable and non-cable households are not equipped to receive digital signals. There are currently more than 111 million television households in the United States, and the FCC estimates that at least 15 percent of them rely exclusively on analog, over-the-air broadcast television service. Moreover, NCTA estimates that – just in the homes of cable subscribers – there are 134 million analog television sets that are not equipped to receive digital transmissions or are not connected to a digital-to-analog set top box. Even in those households that subscribe to digital cable service, there are often one or more analog sets that are not connected to a digital box. Even in homes that subscribe to digital cable services, NCTA estimates that there are 28 million analog television sets that continue to rely on analog cable service or over-the-air broadcasts.

With such a large number of analog sets still in use, each cable operators' first priority is to ensure that their customers suffer the least amount of disruption to their television service. Each cable operator will need to make a determination based on its unique circumstances and customer needs. In order to help advance the

digital transition, cable operators need the flexibility to ensure that their customers can – on the first day of digital-only broadcasts – continue to watch their favorite stations on their existing televisions.

This flexibility should permit cable operators to employ a variety of solutions to ensure a seamless transition from the consumer's perspective. For instance, a cable operator may decide to convert the digital broadcast signal to analog format at the headend. Under this option, cable customers who receive service on an analog television without the use a set top box will receive the same high-quality service the day after the transition as they did the day before with no requirement for new equipment and at no additional cost to the consumer. In cable systems that have significant digital penetration, another option would be to deploy digital set top boxes to all consumers in that market, which would ensure continued access to local broadcast signals after the transition. This option, however, would require these customers to change out equipment or add a set top box where they did not have one before.

Thanks to Congress and the NTIA, consumers will also have the ability to obtain coupons to purchase digital-to-analog converter boxes that will make over the air digital broadcast signals viewable on analog television sets that are not connected to cable. While we were pleased that in implementing the converter box subsidy program, NTIA made all households eligible for up to two coupons—including cable households—while the initial funds of $990 million are available, we agree with our colleagues at the NAB that all households should be eligible to participate throughout the entire program in order to minimize consumer confusion.

I can assure you that Time Warner and the cable industry are committed to ensuring that the transition to digital television is a success. The sole measure of that success will be consumer reaction. We take our role very seriously to provide for a robust consumer education program that will ensure a seamless transition for our customers and your constituents. Because all of the affected industries will encounter different challenges as we approach the deadline for the transition, it is absolutely critical that no solution is foreclosed. Providing flexibility to implement every option and tool available will be the key to making this important effort a success.

CONCLUSION

Thank you for the opportunity to discuss the digital television transition. We look forward to continuing to work with you and the other members of this committee on our shared goal of promoting an affordable and seamless digital transition.

I would be pleased to answer any questions you might have.

Mr. MARKEY. Thank you, Mr. Britt. Again, we are honored to have Mary Fetchet, who is the founding director of the Voices of September 11th with us today. Thank you so much for being willing to appear before us. Whenever you are comfortable, please begin.

STATEMENT OF MARY FETCHET, FOUNDING DIRECTOR, VOICES OF SEPTEMBER 11TH

Ms. FETCHET. Good morning, Chairman Markey and Congressman Upton and our distinguished members, especially Congresswoman Harman, who I worked so closely with when we were trying to get legislation passed. It was an honor to work with her. And it is an honor to be here on this panel and I am relieved to hear that people are moving forward in this process.

My name is Mary Fetchet and I am founding director of Voices of September 11th, a 9/11 family organization whose membership includes over 6,000 individuals worldwide. As you may know, my husband and I suffered the ultimate loss, as parents, when our 24-year old son, Brad, was tragically killed in the Tower 2 of the World Trade Center. Like many Americans, my sense of security and my faith in our Government's effectiveness was shattered on that horrific day.

The past 5 years have been a painful education for me, grappling with the challenges presented by political maneuvering, Congressional inertia and powerful special interest groups. But due to the dedicated efforts of 9/11 family members, the 9/11 commissioners and many of our elected officials, some progress has been made. However, I am frustrated by the slow progress concerning first responder communications. Imagine, if you will, being told that your loved one's death could have been prevented. Imagine then that the solution to this problem was identified a full 5 years earlier. Imagine further that nearly 6 years later little has been done. As you know, this is not a hypothetical example. It is an unfortunate reality that exists today.

I was horrified to learn, actually when we were at a caucus meeting, sitting on a panel, that this final report of the Public Safety Wireless Advisory Committee, which was published in 1996 to the FCC and NTIA, nearly 11 years ago, identified the exact problems in first responder communications that still exist today. "The lack of sufficient quality radio spectrum suitable for public safety users deters technological innovation, diminishes the responsiveness and effectiveness of public safety and ultimately compromises the safety of the responding officers and of the very individuals seeking their help."

I was baffled that a problem identified after the 1993 World Trade Center bombing, confirmed in Oklahoma City, confirmed on 9/11 and confirmed during Hurricane Katrina, has yet to be corrected. I can think of no other words than negligence. The 9/11 Commission made a strong recommendation in their 2004 report urging the expedited and increased assignment of spectrum for public safety purposes. Less than a year ago Chairman Tom Kean and Vice Chairman Lee Hamilton asked a committee of your colleagues, "Who can say that no disaster will strike us before 2009?

It is inexcusable that we still haven't gotten our rescue workers the tools that they need to do their jobs."

This sentiment resonates strongly with American people, as well. In August 2006, Voices of September 11th conducted a national survey of over 2,000 individuals to measure their perception of preparedness. The results were sobering. Over two-thirds of respondents rate national preparedness as fair or poor. Local preparedness and home preparedness rate only slightly better. I fear, as Congresswoman Harman said, that another mother, father or sibling will suffer the same loss as my family. I fear not only for their loss but for the torment and anger that they, too, will experience following that their loved one's death could have been prevented had these important reforms been implemented.

Please prove these fears wrong. We cannot afford to wait, cannot afford to jeopardize the lives of our first responders or the lives of those they are called upon to save. In the past, the Federal Government has neglected its fundamental responsibility to protect its citizens. Who will be held accountable when the next lives are lost? I would like to play the message my son left me around 9:00 a.m. on September 11th.

[Recording played]

As you can see, Brad was unaware that his life was in jeopardy and followed the direction he was given to remain in his office. They were safe and secure. Sadly, individuals trying to evacuate the building were sent back up to their offices. Firefighters and first responders who rushed into the building to save lives were not able to communicate. I remain convinced that Brad's life and the lives of over 600 other innocent citizens in Tower 2 could have been saved if the first responders were able to communicate on 9/11.

Let me close as I began. My husband and I suffered the ultimate loss, as parents, when our 24-year old son, Brad, was tragically killed in Tower 2 of the World Trade Center. Today I am very hopeful, as I am hearing these panelists talk about moving forward and how they are going to approach converting the spectrum. And I believe that you will learn from the lessons of 9/11 and that with your support, our brave first responders will be better equipped to respond and minimize the loss of life in the next catastrophic emergency, whether it is a terrorist attack or a natural disaster.

We all have an obligation, both public and private sectors, to ensure this radio spectrum transition. Appropriate funds must be dedicated with vigilant oversight by this committee to ensure we are spending limited homeland security dollars wisely. A concerted effort on all levels of Government must be made to work in a bipartisan manner and concrete deadlines must be adhered to. I implore you to make a promise to my family and the families like mine that we will not allow this problem to continue any longer.

Voices of September 11th remains committed to working towards the full implementation of the 9/11 recommendations, especially in the area of preparedness and improved first responder communications. I make a personal commitment to support your efforts in educating the general public, as well as the efforts of everyone sitting here on the panel, as you move forward with the spectrum conversion. I sincerely thank you for the opportunity to speak today and I look forward to answering any questions.

[The prepared statement of Ms. Fetchet follows:]

Statement of Mary Fetchet,

Founding Director and President, Voices of September 11th

Mother of 24 year-old, Bradley James Fetchet
who perished in World Trade Center on September 11, 2001

before the

United States House of Representatives

Subcommittee on Telecommunications and the Internet of the
Committee on Energy and Commerce,

"Status of the Digital Television Transition"

Wednesday, March 28, 2007

Good morning, Chairman Markey, Congressman Upton, and distinguished members of this committee, I am honored to be here today to testify on behalf of the 9/11 family members.

My name is Mary Fetchet. I am the Founding Director and President of Voices of September 11th, a 9/11 family organization whose membership includes over six thousand individuals worldwide. As you may know, my husband and I suffered the ultimate loss as parents when our twenty-four year old son, Brad, was tragically killed in Tower Two of the World Trade Center. Like many Americans, my sense of security and my faith in our government's effectiveness was shattered on that horrific day. The past five years have been a painful education for me, grappling with the challenges presented by political maneuvering, congressional inertia, and powerful special interest lobbies, all the while struggling with my personal anguish and grief. But I am proud to report that due to the efforts of 9/11 family members, the 9/11 Commissioners and dedicated elected officials, some progress has been made in making our country safer.

However, I am shocked and frustrated by the slow progress that has been made concerning first responder communications. Imagine if you will, being told your loved one's death could have been prevented. Imagine, then, that the solution to this problem was identified a full five years earlier. And imagine further, that nearly six years later,

little has been done. As you know, this is not a hypothetical example at all. It is the unfortunate reality that exists today. I firmly believe my son Brad's death could have been prevented on September 11th, but communication breakdowns made it impossible for brave rescue workers to effectively perform their job of saving lives.

I would like to read briefly from the final report of the Public Safety Wireless Advisory Committee, issued nearly eleven years ago. The report identified the exact problems that to this day we have failed to correct. It is as meaningful today as it was then:

"No responsibility is more fundamental and reflective of the nation's values than that of its Public Safety agencies. The citizens' legitimate expectation is that when their life…is endangered, the government will respond…. The effectiveness of police officers, fire fighters, emergency medical services (EMS) personnel, and other Public Safety officials is inextricably tied to communications capability. Today's communications environment, however, impedes meeting this responsibility…. The lack of sufficient, quality radio spectrum suitable for Public Safety use deters technological innovation, diminishes the responsiveness and effectiveness of Public Safety, and ultimately compromises the safety of the responding officers and of the very individuals seeking their help."[1]

I have spent more time in Washington the past five years than I ever could have imagined. I am aware of the challenges of coordinating the public and private sectors to address this issue, and the political infighting that must be overcome. I understand the

[1] Final Report of the Public Safety Wireless Advisory Committee to the Federal Communications Commission and the National Telecommunications and Information Administration, (11 September 1996), 5 Sec. 1.1. Available at <http://www.ntia.doc.gov/osmhome/pubsafe/PSWAC_AL.pdf>.

challenge of legislating, and the greater challenge of implementing. And I understand the influence of powerful special interests. But I am here now to say this: Careful consideration is important, testimony is valuable, but the time for debate is over. There is no more room for interpretation. You have legislated, and now you must implement. A concerted effort must be made to work in a bipartisan manner, and concrete deadlines must be adhered to. I implore you to make a promise to my family and the families like mine: We will not allow this problem to continue any longer.

It was my naïveté that allowed me to be successful in pushing for reforms here in Washington, and five years later, maybe I remain naïve. But I am baffled that a problem identified after the 1993 World Trade Center bombing, confirmed in Oklahoma City, confirmed on 9/11, and confirmed during Hurricane Katrina has yet to be corrected. I can think of no other word than negligence.

Voices of September 11th remains committed to working towards the full implementation of the 9/11 Commission recommendations, especially in the area of preparedness and improved first responder communications. The Commission made a strong recommendation in their 2004 report, urging for the expedited and increased assignment of spectrum for public safety purposes.[2] Less than a year ago, Chairman Thomas Kean and Vice Chairman Lee Hamilton asked a committee of your colleagues, "Who can say

[2] Final Report of the National Commission on Terrorist Attacks Upon the United States (New York: W.W. Norton and Co.: 2004), 397.

that no disaster will strike before 2009? It's inexcusable that we still haven't gotten our rescue workers the tools they need to do their jobs."[3]

This sentiment resonates strongly with the American people, as well. In August 2006, Voices of September 11th conducted a national survey of over 2,000 individuals to measure their perceptions of preparedness. The results are sobering. Over two-thirds of respondents rate national preparedness as fair or poor. Local preparedness and home preparedness rate only slightly better.[4]

I am impressed by the distinguished panel of witnesses assembled here today, and I am encouraged by the commitment to reform made by the members of this distinguished committee. But I remain skeptical. I fear that another mother, another father, another sibling will suffer the same loss as my family. I fear not only for their loss, but for the torment and anger they will experience knowing that their loved one's death could have been prevented had these important reforms been implemented. Please – prove these fears wrong. We cannot afford to wait; cannot afford to jeopardize the lives of our first responders or the lives of those they are called upon to save. In the past, the federal government has neglected its fundamental responsibility to protect its citizens. Who will be held accountable when the next life is lost?

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[3] Thomas Kean and Lee Hamilton, testimony before the Subcommittee on National Security, Emerging Threats and International Relations, U.S. House of Representatives, 6 June 2006.

[4] Sixty-nine percent of those surveyed rated U.S. preparedness as "fair" (38%) or "poor" (31%). Local community preparedness was rated as "fair" or "poor" by sixty-seven percent of respondents (35% and 32%, respectively). Home and personal preparedness was rated as "fair" or "poor" by sixty-five percent of respondents (37% and 28%, respectively). Full survey data and methodology is available at <http://www.voicesofsept11.org/dev/surveys.php?idtocitems=107,127&pers=1>.

I would like to close by playing the message my son Brad left me around 9:00 am on September 11th. (Play tape)

As you can see, Brad was unaware that his life was in jeopardy and followed the direction he was given to remain in his office – "that they were safe and secure". Sadly, individuals trying to evacuate the building were sent back up to their offices. Fire fighters and first responders who rushed into the building to save lives were not able to communicate. As a result, over 600 innocent citizens that should have escaped died.

Let me close as I began. My husband and I suffered the ultimate loss as parents when our twenty-four year old son, Brad, was tragically killed in Tower Two of the World Trade Center. Like many Americans, my sense of security and my faith in our government's effectiveness was shattered on that horrific day. Today, I am hopeful that with your support, our brave first responders will be better equipped to respond and minimize the loss of life in the event of another catastrophic emergency, whether a terrorist attack or natural disaster. We all have an obligation, both public and private sectors, to work together in a bi-partisan fashion to ensure this transition. Appropriate funds must be dedicated with vigilant oversight to ensure we're spending limited homeland security dollars wisely. As President of Voices of September 11th, I make a personal commitment to support your efforts in implementing these important reforms and to assist you in educating the general public as you move forward with the spectrum conversion. I sincerely thank you for your time and look forward to answering any questions you may have.

Mr. MARKEY. Thank you very much, Ms. Fetchet, and thank you for sharing your story with us today. Mr. Vitelli, you have 5 minutes.

STATEMENT OF MICHAEL VITELLI, SENIOR VICE PRESIDENT, CONSUMER ELECTRONICS AND PRODUCT MANAGEMENT, BEST BUY, INC.

Mr. VITELLI. Good morning. Chairman Markey, Mr. Upton and members of the subcommittee, my name is Mike Vitelli and I am pleased to be here today on behalf of Best Buy and the Consumer Electronics Retailers Coalition, otherwise known as CERC. Best Buy is the country's leading consumer electronics retailer with over 800 stores in 49 States with approximately 130,000 employees. We are a founding and leading member of CERC, which includes other leading consumer electronic specialty retailers, major general retailers that sell consumer electronics and three major national retail associations.

In the last Congress, you set a clear, definite, unconditional date for the end of analog broadcasts, which we agreed would be the single most effective thing you could do to complete the transition to digital broadcast signal. Since then, CERC and its members have worked proactively with the FCC and the NTIA. We look forward, as well, with working with members of this subcommittee, its leadership, any interested members, to help make this transition an unqualified success for our customers and your constituents, so I want to talk about four key points about the transition.

First is the purchase of a new television is more complex than it needs to be and the education of consumers will help the transition. Best Buy research shows that 77 percent of all DTV shoppers visit Best Buy before they buy a TV. And they may not all buy at Best Buy, but we can use these visits to help people better understand the DTV transition. Television shoppers are now increasingly studious and deliberate. In addition to other stores, they actually visit a Best Buy store four or five times before buying a TV and almost 80 percent of our shoppers have researched their options online before they buy a TV.

Buying a TV often involves in-depth dialog with our sales associates to learn the customer's particular requirements and how they are going to use it and what their budget is. The sales associate can then identify a combination of display features, single acquisition choices and what they home network options are to give them the best overall home entertainment experience.

We expect that consumers with TVs that rely on antenna signals will find the option of a Government subsidized converter box attractive. Many customers will not need a converter box, but our opportunity for discussion with each of them fosters a better understanding about the transition, as a whole, and each informed consumer will then be better able to help others, like their parents, understand the transition. So second, that goes to public education about the transition to the DTV is critical and retailers are playing a role. Albert Einstein said you really don't understand something until you can explain it to your grandmother. And we try to do this as a business, as part of an industry group and as part of the broader coalition.

CERC has worked with the FCC and the CEA to develop, publicize and distribute a DTV tip sheet with core information about digital television products and services. Best Buy, Circuit City and Radio Shack have distributed hundreds of thousands of copies of these to our stores, physically and electronically, and it has been published twice in retail industry magazine and remains on the CERC Web site today. CERC has also published a 3-page consumer guide, "What You Need to Know About the February 17, 2009 DTV Transition", and continues to update this document with each critical step in the transition and we are about to add more information about the NTIA regulations.

Third, targeted public education about the need for converter boxes is required and needs to be simple. Last week, before the subcommittee, Assistant Secretary Kneuer stressed that the NTIA would leverage its own public education resources by working with the private sector. In anticipation of this need, CERC joined with APTS, NAB and CEA in founding the DTV Transition Coalition. This steering committee of a very broad coalition includes NCTA and the Leadership Conference on Civil Rights.

The objective is to work with the FCC, the NTIA and the Congress to provide accurate and consistent information via all media and avenues to assure that no American household is without the information they need to handle the transition successfully. The goals of this broad public education campaign should be to help people understand whether they will and perhaps more importantly, whether they will not need a converter box; help the people that do need the box to understand how to receive one through the program and ensure that people understand the reasons why the transition is occurring and the many benefits and choices that it offers.

Though a majority of Best Buy's customers will complete this transition without the need for a Government subsidized box, we know that the success of the transition will be judged by the experience of those who do need or want a converter box, which leads me to the final point. In order for NTIA's CECB program to be successful, the program has to work with retailers and their systems.

CERC has been concerned that NTIA design a program that is feasible for a broad scale of small, medium and large retailers, including online only retailers, such as our member *Amazon.com* and thus far, we have appreciated the fact that the NTIA has shown sensitivity to our concerns and our advice. And we know that NTIA's selection of a turnkey program vendor, which it plans to announce on August 15, 2007 may be the key to determining whether the necessary electronics systems for processing coupons and handling payments will be feasible for a broad scale of retailers and their customers.

So aside from the matter of expense, making any change in your point of sales system or payment system is dangerous and a daunting task. A single bug can bring the system down. In the case of a large retailer like us, this can mean sever inconvenience for our customers and a smaller retailer, can literally put them out of business. And no entity can afford to endanger its mission critical systems, whether that is for ringing up sales or tallying up votes and I think you will appreciate the fact that for the welfare of your

constituents and local economies, the time for retailers to make this change in our mission critical systems shouldn't be during the holiday selling season.

So NTIA has correctly left the door open for coupon redemption early in 2008 and a sufficient number of retailers are coming online. So in summary, the DTV transition is all about offering new choices. We and our competitors are in the business to offer consumers these options, help them to understand them and choose the options best for them. The coupon eligible converter box provides an option which our customers must be and will be well aware of.

And Mr. Chairman, at last week's hearing, members of this subcommittee asked Secretary Kneuer to plan to work with them and their constituents to understand and anticipate the change. On behalf of CERC and all of its members, I expect and hope you will offer the same thing to us. We want to work with you, as well as the FCC and the NTIA and other members of the DTV Transition Coalition to make February 17 and 18 days that will pass only with the appropriate recognition for all that we have accomplished by working together. And on behalf of Best Buy and CERC and its members, thank you again for inviting me to meet with you today.

[The prepared statement of Mr. Vitelli follows:]

Testimony of
Michael Vitelli
Senior Vice President and General Manager
Home Solutions Operating Group
Best Buy Co., Inc.

Before the
Subcommittee on Telecommunications and the Internet
House Energy and Commerce Committee

Status of the Digital Television Transition

March 28, 2007

I am pleased to be here today on behalf of Best Buy and the Consumer Electronics Retailers Coalition ("CERC"). Best Buy is the country's leading consumer electronics retailer with 832 stores in 49 states and approximately 130,000 employees. The company started in 1966 with a single store in St. Paul, Minnesota and we continue to operate our headquarters in the Twin Cities. In addition to our product and service offerings, Best Buy is also known for our ongoing commitment to our communities, providing volunteer support, financial resources and leadership on many issues, but especially on the use of innovative technology to improve the learning opportunities for kids.

Best Buy is a leading member of the Consumer Electronics Retailers Coalition ("CERC"), which in addition to ourselves includes consumer electronics specialist retailers Circuit City and RadioShack, and general retailers Amazon.com, Sears, Target and Wal-Mart, as well as the three major retail associations – the North American Retail Dealers Association (NARDA), the National Retail Federation (NRF), and the Retail Industry Leaders Association (RILA).

Consumer electronics retailers have been involved in the transition to digital techniques since 1985, when we helped introduce the digital audio Compact Disc. More than two decades later, we are nearing the completion of this transition. In the last Congress, CERC members RadioShack and Circuit City testified before this Subcommittee on separate occasions. Each time we said: "The single most effective thing you can do to complete this transition is to set a clear, definite, unconditional date for the cessation of analog broadcasts." This Committee took the initiative in enacting the legislation that did this. Since then, CERC and its members have worked proactively with the FCC and the NTIA. CERC has been actively involved in sales associate and consumer education for many years. In anticipation of a need to build a broad-based public and private sector educational outreach on the DTV transition, CERC joined with the Association for Public Television Stations (APTS), the National Association of Broadcasters (NAB), and the Consumer Electronics Association (CEA) in founding the DTV Transition Coalition to assure that February 17, 2009 will be a day for celebration rather than consternation.[1]

We look forward, now, to working with this Subcommittee, its leadership, and any interested Member, to help make this transition an unqualified success for our customers and your constituents.

Public Education

Our own Best Buy research shows that 77% of all digital television (DTV) shoppers visit Best Buy before they buy a TV. They might not all buy at Best Buy, but when they visit Best Buy we've got a chance to help people to understand the issues that

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[1] www.DTVtransition.org

surround the DTV transition. Television shoppers are increasingly studious and deliberate -- the average shopper visits Best Buy (in addition to any other store they may check out) *four or five times* before buying a TV. Almost 80% of our shoppers have researched their options online[2] before they buy a TV from someone. The new option of a Coupon Eligible Converter Box ("CECB") will be attractive and helpful for many customers who have TVs that rely on antennas for TV signals. Many customers will not need any converter box today and might not choose this solution, but each customer helps us understand how to discuss the DTV transition with any and all of our other customers.

As members of CERC discussed with this Subcommittee in the last Congress, the purchase of a TV already often requires a complex dialog with our customers. The subjects now include:

- **Transmission and Display formats** – High Definition (now available in several flavors); Enhanced Definition; Standard Definition.
- **Program and screen formats** – Widescreen aspect ratio (16x9) or "traditional" aspect ratio (4x3).
- **Signal acquisition** – Antenna; cable; satellite; and now "wireless," and "broadband" variations.
- **Tuning, authorization, and payment** – In the receiver; in a "set-top box" or PVR or other device; or through a "CableCARD"-enabled set that allows purchase of premium channels without a set-top box.
- **Types of displays** – "Traditional" and "slim" cathode ray tube (direct view and rear-projection); LCD panel; plasma panel; LCD rear-projection; DLP rear-projection; LCOS rear-projection; LCD and DLP front projection.
- **Types of storage devices** – VCRs; DVRs (removable media); PVRs (non-removable media) and variations (PCs, game players, hand-held devices, displays with integrated or removable storage).

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[2] Many, of course, have visited www.Bestbuy.com, but they also check out our competitors and independent sources such as http://reviews.cnet.com/Televisions/2001-6475_7-0.html?tag=cnetfd.dir.

- **Types of interfaces between devices** – composite analog; component analog (SD); component analog (HD); DVI/HDMI; IEEE1394; USB; wireless variations; and associated forms of copy protection which triggers only for certain programming.

Our approach is, through this dialog and by encouraging consumer research – via the Internet, our website and other resources – to learn a particular customer's needs and wants, room size and space, viewing and recording practices, potential for a home network, and budget. The sales associate then identifies the combination of display formats and features, signal acquisition choices, and home network options that give the consumer what he or she needs to get the best home entertainment experience. Today, unless the consumer has already firmly decided upon a specific purchase – and with the aid of Internet research, many have decided – retailers can not serve the consumer by offering products on an isolated basis. We must determine how all of the devices will fit together. Our customers are doing this also – this helps explain why they do so much shopping and research before settling on a purchase.

Public Education About The Transition

It was Albert Einstein who said, "You do not really understand something unless you can explain it to your grandmother." We and our retail competitors have been obliged continually to update our consumer information, product displays, advertising, and websites, to help people understand their choices. As an industry, we work through CERC on a broader scale. Several years ago, CERC worked with the FCC and CEA to develop, publicize and distribute a "DTV Tip Sheet" with core information about digital television products and services. Best Buy, Circuit City, and RadioShack distributed hundreds of thousands of copies to our stores, physically and electronically, and it was

published twice in NARDA's retail industry magazine. It remains on the CERC website today.

In June of 2005, CERC published a 3-page consumer guide, "**What You Need To Know About The 'DTV Transition' – A Dozen Questions & Answers.**"[3] After the "hard date" legislation passed, CERC updated the Guide and changed the title to, "**What You Need To Know About The February 17, 2009 'DTV Transition' – Questions & Answers.**"[4] Now CERC is revising it again in light of the NTIA converter box regulations, and it will be revised again when NTIA chooses a vendor.

Last week before this Subcommittee, Asst. Secretary Kneuer stressed NTIA's intention to "leverage" its own public education resources by working with the private sector. In anticipation of this need, CERC joined with APTS, NAB, and CEA in founding the DTV Transition Coalition. The Steering Committee of the Coalition also includes the National Cable and Telecommunications Association (NCTA) and the Leadership Conference on Civil Rights (LCCR). The full Coalition's membership covers a wide spectrum of broadcasters, manufacturers, retailers and consumer groups, as well as participation by FCC and NTIA staff, to assure that no American household is without the information it needs to handle the transition successfully. The Coalition's web site, www.dtvtransition.org, will serve as a clearinghouse for information and participation. It

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[3] In CERC's press release issued with the Guide we said: "[W]e thought we should assemble for consumers what is now known about the prospects for analog TV broadcasts to be shut off, and what this may mean for them. We've tried to put together answers to the most basic questions, but not to mislead consumers by omitting future options or considerations. At the moment there's no way to do this in less than three pages of print. We'd prefer to have a shorter piece with fewer variables, but we don't want to tell customers anything that's inaccurate or incomplete." CERC said it has no objection to other entities reproducing or distributing its Guide, and invited any reader to propose revisions to enhance accuracy or to make it more concise. Both of these things have since occurred and have resulted in updates and wider distribution.

[4] The Guide is available on the front page of the CERC web site, www.ceretailers.org; it is provided for the record as an Appendix to this submission.

links to CERC's Guide, and other useful information from various sources. I want to emphasize, however, that Best Buy, the other members of CERC, and the Transition Coalition are well aware of the fact pointed out by several Members of this Subcommittee last week, and acknowledged by Secretary Kneuer – the Internet is an important tool, *but cannot be the only tool*, to reach those who are most likely to be interested in, and who need to be aware of, the CECB program.

Public Education And Converter Boxes

Though many of Best Buy's customers will complete their transition by means other than coupon-eligible converter boxes, we know that the success of the transition will be judged by the experience of those who *do* need or want a converter box. As survivors in one of the planet's most competitive markets, we don't see the objective of the CECB program as distributing as much government money as possible. Rather, we see its objective as adding to the number of affordable choices consumers will have, and providing a most affordable choice for many households.

As the old saying[5] goes, the problem with most people isn't what they don't know, it's that "they know so much that ain't so." Most of our customers are cable or satellite subscribers. Their immediate reaction when they hear about the Digital Transition is: *"How will this affect my cable TV?"* So initially, we need to help these people to understand that this transition is *not* primarily about their present cable and satellite services. If these services are fully meeting their needs, they are unlikely to need a CECB product.[6] The fewer people who run out and get a subsidized box that they don't

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[5] First credited to 19th century humorist Josh Billings.
[6] As our Guide explains, however, there may be some additional broadcast services of interest that they would need an antenna and a DTV receiver to capture.

need, and aren't going to use, the more coupons there will be for those who truly *do* need and want to acquire a converter box.

Second, many people are assuming that this transition is *only* about moving from standard definition television to high definition television (HDTV). So their first reaction may be negative – that the government is forcing them to give up something that they find satisfactory. This also "ain't so." Therefore, Best Buy, CERC and the DTV Transition Coalition are working to help people understand *why* the transition is occurring, and that its objective is to enhance, not restrict, consumer choice. (Of course, we at Best Buy believe that HDTV television receivers have become a terrific value, and we encourage our customers to consider this option. As their prices get closer and closer to those of conventional displays, customers are choosing HDTV receivers at an unprecedented rate.)

No single industry can make this message credible to a public that is used to being skeptical. Each of us here today has an important role. Best Buy and the other members of CERC are working with the members of the DTV Transition Coalition to assure that our messages are accurate, consistent, and understandable.

NTIA's "CECB" Program

On behalf of consumer electronics specialty and general retailers, CERC has been aggressive in communicating its views to the NTIA, on whose rules and choice of a vendor the success of the "CECB" program will depend. In its Comments[7] on the initial NTIA Notice of Proposed Rulemaking, CERC advised –

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[7] CERC's initial Comments and others received by NTIA can be found at -- http://www.ntia.doc.gov/otiahome/dtv/comments/dtvcomments_092906.html.

> Despite the comprehensive commercial experience of CERC's members with every current means of merchandizing and selling consumer electronics, neither they nor anyone else can claim any experience, on either the product or fulfillment sides, with the specific product inventory and Point of Sale requirements that appear to be posed by a program such as the one outlined by the Congress and now being planned by the NTIA. ***
>
> In these Comments, CERC hopes to apply its members' experience and expertise so as to assist NTIA in formulating a program with long-term public benefits and only short-term costs to those who participate. To achieve this result, we advise the NTIA to make maximum use of the electronic commercial channels and techniques that today are open to virtually all retailers who stock and sell consumer electronics products through storefronts or on-line. In addition to maximizing efficiency (hence, we would hope, participation[8]), an approach that integrates these tools will also serve as a reasonable and non-discriminatory qualification metric for establishing the qualifications to participate of those merchants who are interested.

After NTIA issued its regulations, CERC published a press release expressing its appreciation to NTIA for giving constructive attention to our concerns and recommendations. We said –

> NTIA's regulations show keen attention to concerns and comments expressed by CERC, its members, and others who want the DTV Transition to succeed. The next step is for NTIA to choose a program vendor, who will make additional choices of crucial concern to retailers who would like to participate. CERC looks forward to continuing to work with NTIA, the FCC, and other members of the DTV Transition Coalition to stay on track toward a transition that serves the public interest as the Congress intended.

Our focus is now on the selection of a program vendor because, as CERC noted in its Comments, retail implementation of the CEBC program will require that a national database and network be established to accept electronically coded cards as partial payment, exclusively for a single product, out of thousands or hundreds of thousands of

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[8] Elsewhere in the Comments, CERC noted that as an association of competitors it is not in a position to address whether any commercial entity will actually enter a market for any given product, including CECBs.

products that a retailer may carry. The system must electronically match the information about the coupon and its expiration date with information accurately identifying the qualifying CECB unit sold, and set in process an electronic payment to the retailer according to customary business practice. It must be viable and secure for on-line as well as "brick and mortar" retailers, and must be resistant to waste, fraud, and abuse. The electronic systems now in use by consumer electronics retailers and national electronic payment handlers have many, but not all, of these attributes. Hence, for any specialist consumer electronics retailer to implement this program, it appears that some changes will have to be made to its own hardware or software Point of Sale ("POS") electronic systems (or both), which nowadays may be broad in scale and highly sophisticated and complex.

For large and small retailers alike, aside from the expense, implementing any change in your POS or payment system is daunting. A single "bug" can bring the entire system down. In the case of a large retailer like us, this can mean severe inconvenience and delay for our customers. In the case of a small or regional retailer, such as many of NARDA's members, it can literally put them out of business. Any delay in receiving payments, beyond normal commercial practice, can do so as well. We've communicated these concerns to NTIA, and NTIA recognized them explicitly in their regulations and their "RFP" to potential system vendors. The question now is whether NTIA's vendor will have a solution, and whether the solution, if effective and efficient, will "scale" so as to invite participation from a suitably broad scope of stores and on-line retailers, as Congress and the NTIA intend.

CERC believes NTIA has taken the correct approach in seeking a single program vendor to be held responsible for planning and implementation of the entire program, and in intending to make its selection based on quality rather than, necessarily, price. CERC has heard from a number of potential vendors who have expressed understanding of the challenge, and optimism that they know how to meet it. Therefore, we are optimistic that a broad scope of retailers will be offered a solution that does not overly tax their electronic systems or place them at risk, and can be implemented accurately and reliably by their sales associates and other personnel. Nevertheless, I am sure the Subcommittee will understand that any entity that depends on an electronic system – whether it is for ringing up sales, tallying votes, or some other constructive purpose – will wish to consider, examine, and test very, very thoroughly any potential change to that system.

I think the Subcommittee will also appreciate that, for the welfare of your constituents as well as their local economies, the time for retailers to make changes to their systems generally ought *not* to be the year-end holiday selling season. For us in the consumer electronics business, in 2006 the "Christmas rush" started well before Thanksgiving; our planning and preparations for it started well before that. Therefore, CERC also told NTIA it should assume that any system involving POS or other system changes, if ready in the Fall of 2007, would be unlikely to be implemented until the first quarter of 2008. NTIA has recognized this in its regulations and its RFP, and has given retailers an adequate time window, starting in mid-2007, to decide whether to seek qualification in the CECB program. However, as we have stressed throughout, CERC is an association of fierce competitors. If any retailer is able to be "up and running" early in 2008, more power to them. NTIA has said it is leaving itself, and its vendor, sufficient

flexibility to begin sending out coupons in January '08 if there are sufficient numbers of CECBs in distribution and sufficient retailers qualified to accept coupons for them. We agree with this intention as well.

Education About The CECB Program

Secretary Kneuer has stressed, correctly from our point of view, that acquisition of a subsidized converter box is *one* of a household's options in responding to the digital transition. We and our competitors are in business to offer consumers as many options as possible, and to help them understand and choose what seems best. At this stage, let me just make a few observations that I know other members of CERC share:

- For consumers who already have TVs that receive signals from an antenna but lack digital tuners, adding a "CECB" is an attractive option. As has been demonstrated many times, digital reception generally provides a superior standard definition picture, as well as potentially dozens of additional local broadcast channels that might not be carried by cable or satellite operators.

- Consumers also have the option of upgrading their systems by purchasing an HDTV or (other) DTV receiver, and relegating their existing "analog" sets to use with non-antenna sources such as cable (which we expect will continue to provide analog signal feeds, either directly or via converters designed for their own systems), satellite, DVD players, and game consoles. As HDTV and standard definition DTV receivers become better and better values, many customers are making this choice anyway, and we expect them to continue to do so. *These choices also represent successes in the transition, and ones that do not drain any funds from the subsidy pool.*

- Therefore, successful education about the DTV transition will and must tout the benefits of the CECB program (whether or not the particular retailer participates), but must also put this program in the larger context –

    - *why* it is occurring – to enhance our national emergency response capabilities, *as well* as to offer consumers higher quality and more choices by replacing a successful but technologically ancient broadcasting system; and

    - *what* is being offered – this transition is all about offering new choices, not being arbitrary about old ones.

At least week's hearing, several Members of this Subcommittee asked Secretary Kneuer to plan to work with them to help their constituents understand and anticipate this change. On behalf of CERC and its other members, as well as Best Buy, I expect and hope that the same offer will be made to us. We want to work with you, as well as with the FCC, the NTIA, and the other members of the DTV Transition Coalition, to make February 17 and 18, 2009, days that pass only with appropriate recognition for all we will have accomplished by working together.

On behalf of Best Buy and CERC and its members, thank you again for having invited me to meet with you today.

Mr. MARKEY. Thank you, Mr. Vitelli, very much. We will now turn to questions from the subcommittee members.

Mr. Vitelli, if a consumer walked into Best Buy today, could they still buy an analog TV set?

Mr. VITELLI. There are, yes. The answer is yes. There are very few left.

Mr. MARKEY. Are they told, do your sales people tell, are they mandated by you, by your company to tell the consumer that the TV will not work in 2 years without a converter box?

Mr. VITELLI. Our education of our sales employees gets into a tremendous amount of detail about high definition, standard definition.

Mr. MARKEY. So if I walked in, if I left here this afternoon, which I am going to do, and go into a Best Buy and I ask to buy that TV set right over there, knowing it is an analog, would the salesman tell me it won't work in 2 years?

Mr. VITELLI. If you engaged in that conversation with that person, you should get into that conversation.

Mr. MARKEY. No, no. I am asking does he give me or she give me a warning that it won't work in 2 years? I am saying I want that TV, I like that TV. Does the salesperson say it is a good TV, but it is an analog TV; it won't work in 2 years without a converter box?

Mr. VITELLI. That is part of our training with our sales staff.

Mr. MARKEY. So they will do that?

Mr. VITELLI. That is part of our training.

Mr. MARKEY. OK, so is there a sticker on the TV that says this will not work in 2 years without a converter box?

Mr. VITELLI. Individual manufacturers are doing that. Some do and some don't.

Mr. MARKEY. Now, what does Best Buy do? Does Best Buy put a sticker on the analog TVs?

Mr. VITELLI. We are not putting stickers on the televisions.

Mr. MARKEY. Is there a sign near the analog TV sets that says these TV sets won't work in 2 years? It is kind of like a clearance sale right now? When you know that those ties that cost $19.95 are the ties that they couldn't sell for $119? Do you have any kind of warning like that, Mr. Vitelli?

Mr. VITELLI. No.

Mr. MARKEY. You should. And I think our committee is going to insist that you do warn from now on and we are going to ask your association to warn all consumers that the analog TV set will not work in 2 years and we are going to ask you to report back to the committee as to the types of warnings on the sets or near those sets and what requirements you have placed on sales people for the next year because otherwise they are engaging in very bad consumer purchases.

If I went into a Best Buy this afternoon, what are the chances that a salesperson would know about the digital TV conversion?

Mr. VITELLI. Very high.

Mr. MARKEY. Very high. What efforts will Best Buy make next January to ensure that the consumers are going to get the information they need as they are walking into purchase these converter boxes? Is there a training program you are putting in place?

Mr. VITELLI. We certainly will when that time is there. We have actually not gotten into product discussions yet with any of the manufacturers about the box.

Mr. MARKEY. Have you put in an order for converter boxes from Mr. Taylor's company or from other companies that are manufacturing them?

Mr. VITELLI. We have not gotten a formal proposal, if you will, about boxes.

Mr. MARKEY. When do you expect to place your orders for the converter boxes?

Mr. VITELLI. Normally, the cycle of an order for a new product is about 3 to 4 months in advance of its arrival.

Mr. MARKEY. Will you have enough converter boxes on the shelves of Best Buy on January 1, 2008? How many do you plan right now on having on the shelves of your stores on January 1, 2008?

Mr. VITELLI. We haven't done that analysis yet because of analyzing which stores they should be in, how many should we have, how many different manufacturers——

Mr. MARKEY. Will they be in all stores, Mr. Vitelli?

Mr. VITELLI. It will depend on what we perceive the demand to be.

Mr. MARKEY. I am not hearing you correctly. The answer to that question is yes, they will be in all stores. Do you want to try that one again? There are 23 million homes that don't have a way of watching television unless they can buy a converter box. We want to hear you say all our stores will have converter boxes, Mr. Vitelli. Can you please say that right now?

Mr. VITELLI. We will have boxes available for people.

Mr. MARKEY. In all of your stores?

Mr. VITELLI. On the assumption of when they are available and where they meet——

Mr. MARKEY. No, we want them available on January 1 in all of your stores because that is when the converter boxes are going to be available for sale and the coupons will be in people's hands. Will you commit that you will have converter boxes available for sale on January 1 in all of your stores?

Mr. VITELLI. If there are converter boxes available, we will have them in our stores.

Mr. MARKEY. You will have them in all of your stores? Are you saying all or some, again?

Mr. VITELLI. You are asking me to predict——

Mr. MARKEY. I want you to just get an idea of the scope of this, Mr. Vitelli. They are having an election for president in France right now. There are 23 million homes in France. That is all there are. There are 23 million homes in America that don't have anything except analog TV sets. Now, imagine how big that issue would be right now in a presidential election if everyone France was being asked. I think that is the only question that the candidates for president would be getting asked.

It is a big issue, huge issue, Hispanic community and they just don't subdivide into neat little communities across America, this Hispanic population or other communities. They tend to live in all States, in all cities and near all Best Buys and other retail stores.

So we would really appreciate it if you could ensure that not only Best Buy but the rest of your industry, when we have you back here again, have put in place the program that will give us some assurances that every American will have access to it.

My time has expired. Let me turn to the gentleman from Michigan, the ranking member of the committee, Mr. Upton.

Mr. UPTON. Well, I thank you, Mr. Chairman, and I just want to say to Mr. Vitelli, I very much agree that we do need warning stickers for all of our consumers. I can remember the story of Mr. Barton's wife going to get him a Christmas gift.

Mr. BARTON. No, it was I.

Mr. UPTON. Oh, you bought it? I though it was a gift from your wife.

Mr. BARTON. It was a gift, but I bought it.

Mr. UPTON. All right. But that was before we actually had a date, but we have a date now and it is important that every consumer, whether it be this afternoon or a year from now, when they go in, if there are analog sets, they know precisely that if they have over-the-air, it is not going to work without a converter box.

And I will say that in the legislation that we moved in the last Congress, which was bipartisan, for the most part, did include that requirement in the legislation as the House passed it. And unfortunately, the Senate, with its parliamentary rules, were able to knock it out, and I wanted to say this before Mr. Markey left the room, but we had a bill that will require that, to put it back. It is H.R. 608 and I don't know if you have had a chance to look at it or not or the industry, but I appreciate, maybe at some point in the next few days, you might do that and come back in writing with a comment.

It was introduced by Mr. Barton, co-sponsored by Mr. Hastert and myself, and it requires consumer education and just that, so that all consumers, and I am sad to say that it was introduced a couple months ago and we have no, other than the two co-sponsors, Mr. Hastert and myself, nobody else has co-sponsored and if we want to see legislation move, we want to see a bipartisan, we want to see this requirement put back and maybe if we are able to get Mr. Markey's support and others, knowing that they now have the gavel, we can get this legislation moved. But it would require that consumer education for everyone going to any store, whether it be a Best Buy or a Sears, to have that requirement.

Mr. Taylor, I appreciated your comment early on, saying that we certainly do need a hard date. And as you reflect back, you know that that was an issue that we worked on very hard for a good number of years. We had a number of different industry roundtables to figure out where things were and I again just brown nose Mr. Barton here for a second. He did pick a date and it was met with a lot of resistance. We moved the date just a little bit, but we made it firm and some have suggested that we delay the implementation of this, that we push it back further.

And there were efforts in this subcommittee and maybe even the full committee, as well, to actually pick a later date than what we ended up with and thank goodness, Mrs. Fetchet, we defeated those amendments. And I want to tell you, from this side of the aisle, and I think Mr. Markey and I hope Mr. Markey and others

would agree, that this date has to stick. It was a carefully balanced date that we picked.

We didn't want the consumers not to be able to get over-the-air TV, but we had to allow the time to really force the broadcasters to make the $5 billion in investment, as Mr. Yager said, to be able to get the cameras and the equipment. And 90 percent of them have achieved that, whether it be in the market that serves my district in South Bend or Kalamazoo, or a larger market, as well. And we were successful because we did push the broadcasters, screaming a little bit, but they are going to make this date and that, then, allows us to take that 24 MHz and give it to the first responders.

And through the sale of the analog spectrum the minute we were able to pursue to provide assistance for the first responders so they can, in fact, purchase the equipment down the road and I got to tell you, I want to thank Mrs. Harman, who is here. She was a leader. She worked with my colleague, former colleague now, Mr. Weldon, on the act and even though they had an earlier date, I think we all were convinced that this date works and I want to assure you that we will not allow that date to slip.

I think we are in store to see this transition come somewhat seamlessly and we do need an education effort and I will just plug my bill one more time in the remaining 7 seconds, actually, Mr. Barton's bill. H.R. 608 does exactly that and we have now 18 Republicans I am told that have cosponsored the legislation. No Democrats.

Mr. BARTON. That is fast work.

Mr. UPTON. Well, you got to put them in. You got to put the names in, but it does do a lot of things for education and reminds people that those analog sets need the converter box. We need to push the industry to make sure that they are available in every store around the country and I think that it can work and we appreciate very much your meaningful testimony. I yield back.

Mr. DOYLE [presiding]. Thank you, Mr. Upton. The chair now recognizes the chairman of the full committee, Mr. Dingell.

Mr. DINGELL. Mr. Chairman, thank you. These questions are for Mr. Vitelli. I think, for the most part, Mr. Vitelli, you could answer yes or no. Do you believe that information on the coupon program should be widely available through retailers?

Mr. VITELLI. Yes.

Mr. DINGELL. Now, you have already distributed hundreds of thousands of DTV tip sheets, is that correct?

Mr. VITELLI. Yes.

Mr. DINGELL. Now, given your testimony about the importance of DTV education, do you believe that the retailers of the country should see to it that there would be distribution of the coupon application forms inside every store that is going to deal with these kinds of sales of televisions?

Mr. VITELLI. Yes.

Mr. DINGELL. Will Best Buy do that?

Mr. VITELLI. Yes, we will.

Mr. DINGELL. Thank you. You are certainly to be praised for that and that is a commitment I think is of great value to the consumers of the country. Thank you. Now, I am concerned here, again, that retailers may be tempted to sell Americans expensive digital

televisions rather than letting them know that they can buy coupons or rather, they can obtain coupons for low cost converter boxes. Is that a concern for you and for Best Buy?

Mr. VITELLI. It is not a concern for me and Best Buy. Best Buy is a customer relationship selling environment, not an all pressure sales environment, so we engage with the customer, try to understand what their needs are and get them the best thing for their needs.

Mr. DINGELL. What should a responsible retailer do to prevent consumers from then being forced into buying more expensive and unnecessary digital televisions when they only need a converter box?

Mr. VITELLI. As I just described, what we do is try to engage with each customer and understand what they are trying to accomplish and based upon that, give them the best thing for what that experience is and if all that experience is to get my analog TV to work, then that box is the number one thing that they need.

Mr. DINGELL. So you are trying, then, to see to it that the information is readily available in the stores to make that choice clear to your consumers and customers, is that right?

Mr. VITELLI. As soon as those boxes are there, that will be part of our education process to make sure that we are giving the right information to all of our customers.

Mr. DINGELL. Now, do you think that retailers should maintain a sufficient supply of boxes at all times throughout the coupon program so that consumers are not being put in the position of being unable to redeem the coupons due to an inadequate or insufficient or nonexistent supply of retail outlets?

Mr. VITELLI. Absolutely. The point I was trying to make earlier, I was struggling to make, is that air shipping a box from a central location can be just as effective as having it dispersed over stores. In some cases, it can be more effective because you can have an imbalance of where the inventory is, so the mechanics of getting somebody what they need quickly, there are multiple ways to do that. One answer might be have it in all stores. Another answer might be to air ship them the next day. There is multiple ways to solve the same thing, which is get people what they need.

Mr. DINGELL. Thank you. Now, I assume that the education programs that a responsible store would conduct would be to have prominent in-store signs and displays that would inform consumers of this situation and their choices?

Mr. VITELLI. Each retailer does it a little bit differently. Signage is an important part of our stores. In our stores, the human interaction is probably the highest. In stores that have less sales people, signage could be, so it is going to be a mix, depending on individual retailers and how they engage with their customers.

Mr. DINGELL. But there should be an attempt on each retailer to see to it that the customers are properly informed of these matters?

Mr. VITELLI. Clearly.

Mr. DINGELL. And that is more than just a slip by the cash register, something like that, is it not?

Mr. VITELLI. I agree with you. It is more than that. Best Buy and the consumer electronic retailers have been talking about the DTV transition for some time.

Mr. DINGELL. Now, will there be point of sale symbols or logos that will denote converter boxes which are eligible for the coupon program should that be the case?

Mr. VITELLI. I am not sure exactly what your question is, but I think the actual packaging of a converter box, saying that it is eligible for the coupon program would probably be a good idea because it is one of those products that will be available and it will be very visible and maybe designing the packaging that way could be a good way of communicating, as well.

Mr. DINGELL. Thank you. You have answered that question very well. Is Best Buy going to see to it that there is information about the coupon programs and eligible converter boxes in its advertisements and direct mailings?

Mr. VITELLI. When the timing is right and we understand the sequencing, I would say absolutely, yes, and making sure that that is very clear. I think all retailers will look to do that during that timeframe.

Mr. DINGELL. Thank you, Mr. Vitelli, and thank you, Mr. Chairman.

Mr. DOYLE. Thank you, Mr. Chairman. The chair now recognizes the ranking member of the full committee, Mr. Barton.

Mr. BARTON. Thank you, Mr. Chairman. We have talked a little bit about H.R. 608, which is the bill that Mr. Hastert and Mr. Upton and I introduced back on January 22 to put into law those parts of the educational program in the DTV transition that were stripped out by the Byrd rule in the Senate several years ago.

This bill does six things. It would require retailers to display signs near analog-only television sets on their shelves. It would require cable and satellite operators to provide DTV billing inserts explaining to their customers what is going on; require broadcasters to file regular FCC reports detailing their consumer education efforts, such as the airing of public service announcement over their stations. It would ask the FCC to create a public outreach program, including a DTV working group. It would require the NTIA to establish national energy standards for converter boxes so that the State regulations don't hinder the manufacture of efficient low-cost converter boxes. And it would ask that the FCC submit progress reports to Congress on the FCC, the private sector education efforts, the NTIA to submit progress reports to Congress on the coupon distribution and redemption effort.

According to the bill, this would all start, some of these education efforts are supposed to start by May 1, 2007, which is only 2 months from now. Does everybody on the panel support this type of legislation—if not this particular bill? Is there anybody that doesn't support this? How many do support it? OK, let the record show nobody supports it.

Mr. TAYLOR. May I?

Mr. BARTON. Yes, Mr. Taylor.

Mr. TAYLOR. Many of those things are already under way. I should say that the consumer electronics industry had a voluntary labeling effort that started last year. If you were to buy an analog LG television set and we didn't have too many models left, but those that were available at retail starting last year had a label in

English and Spanish that explained, once we had a hard date we were able to label it, which was very helpful.

It explained that if you were going to use this for over-the-air television, you would need a converter box in 2009, so some of us are doing that. Regarding the energy standards that I believe is included in the NTIA rules, this product, in order to be certified by NTIA to be sold for the coupon program, must have a 2 watt standby power and auto power down after 4 hours of nonuse, so that has been addressed. I mean, I think that we are making progress in a lot of these areas.

And I have to tell you, as one who has been involved in the formation of the DTV transition coalition, the passion and commitment on the part of all the parties is unparalleled. Everybody is really committed to moving forward with or without legislation.

Mr. BARTON. Anybody else want to comment?

Mr. YAGER. Let me just say that it is very difficult for broadcasters to commit to a May start date on a program where promoting converter box when the consumer cannot get them at Best Buy or any other retail outlet. We are planning a full scale, full blown campaign to make the public aware, but setting it on a specific date, before we have a product for the consumer to actually purchase, I think would create tremendous confusion.

Mr. BARTON. What date would you recommend?

Mr. YAGER. Well, if the converter boxes aren't going to be available until the 1st of January 2008, I would recommend that we go to some time in November. You need a little lead time to ramp up the campaign, but May 1 is going to create tremendous confusion. I don't want to create panic in the marketplace early. But we do think we have a real job to do in educating the leadership in our communities through speakers, bureaus and other things, up until the point we get there. With all good reference to Best Buy, we have a lot of education to do at the retail outlet, itself.

Mr. BARTON. Mr. Britt, do you have any comment?

Mr. BRITT. Yes. I think four of us are involved in this coalition and through that coalition we support everything that is in the bill. Education is really the key, most important thing that has to happen here and I think we need to do all of the things you mentioned plus some more, so we do support that effort. Whether it needs to be legislated or not is something for all of you, but we do need to do the education.

Mr. BARTON. Well, I think Mr. Yager made that the May 1 date is too early and we are very open on that. There seems to be concern, and I would even go so far as to say a legitimate concern that there needs to be a fairly comprehensive, coordinated, massive outreach program to make sure the public knows what is happening.

We had these things that were in the law, in the bill that came out of the House, but got stripped in the Senate. So I am going to ask Mr. Dingell and Mr. Markey to hold a hearing on our bill and if we need to make some changes, fine. I think it would be helpful to have legislation that is supported just so that we know what the ground rules are. Mr. Hastert and myself and Mr. Upton are not trying to be cute about this.

If we don't have it right, this is a bill that we are very open and flexible on, I will be asking Mr. Dingell and Mr. Markey to sched-

ule a hearing specifically on the bill. If there are changes that need to be made, like Mr. Yager's that recommend action that those can be incorporated. I have several other questions, Mr. Chairman, but I will just submit them for the record.

Mr. VITELLI. I just have one comment to your question.

Mr. BARTON. Sure.

Mr. VITELLI. And I can't speak to every one of our competitors' inventory situation, but by May 1, plus or minus some days, there won't be any analog TVs inside of Best Buy.

Mr. BARTON. That is a moot point. OK.

Ms. FETCHER. I just wanted to say we reach out to our constituents on a weekly basis. We send out a weekly newsletter and actually publicize a lot of what is going on here in Washington. We would be happy to do that. But I would also have you think about September as preparedness month and you have a Government agency, *Ready.gov* and FEMA and others that you might be able to publicize through them, through the American Red Cross, through some of the emergency planning, the police department, the fire department.

Because I think the way that you frame the message is going to be so critical. You don't want to frighten the general public. You want to explain why this is being done, how it is being done and work with the coalition to coordinate the launch time and put a timeframe in place so you are working together with the private and public sector.

Mr. BARTON. Thank you. Thank you, ma'am.

Mr. DOYLE. Gentleman's time is expired. The chair recognizes the gentlelady from California, Ms. Harman.

Ms. HARMAN. Thank you, Mr. Chairman. I want to second that suggestion that Mary Fetcher just made. September is Emergency Preparedness Month and there are programs in many States, including in California, to teach emergency preparedness in schools. It is a perfect opportunity to communicate a message without creating fear in those who are receiving it and I would recommend we would consider that.

I also want to thank Mr. Upton for some of the comments he has made, including the one that he will not let this deadline slip. I am missing the mark up of the authorization bill for the Homeland Security Department right now because I feel so strongly that we cannot, we cannot violate, really, a sacred trust to those who died on 9/11 and I will do whatever it takes in this committee and in that committee to make certain that this deadline does not slip.

A week before 9/11, my oldest son, I have four sons and a grandchild now, spent that week in one of the Trade Towers in the New York office of his San Francisco based investment firm. He was then 26. Brad Fetchet was 24. I don't know what floor he was on, but I do know that he could easily have been there on 9/11 and I think any of you could tell a story like that, that someone you know, one of your family members could easily have been there on 9/11 and could tragically have suffered the fate that Brad Fetchet did.

I don't know how Mary can listen to that tape. I am not sure I could listen to that tape. But I hope all of you felt a pain in your hearts when you heard that tape. A young child, one of the

Fetchet's three children, who loves his parents, wanted to calm them down, never suspected that he would be in harm's way, in a place, at a time when had we had adequate interoperable communications, his life might have been spared.

Let me ask the panel, did any of you have family members or dear friends who perished on 9/11, either in the Trade Towers or in the Pentagon or on those airplanes? Nobody? Did any of you know or do any of you know people whose family members perished? Yes. Well, OK, Mr. Vitelli, let us talk to you for a minute. I understand all the problems at Best Buy and I really know it is a massive chain. In fact, one of my other sons worked there for a summer, it is a very capable outfit. We shop there. But I don't care how many problems there are with this. If you had lost a family member or thinking about your friend, putting yourself in that friend's shoes, does that change anything about the testimony you just gave?

Mr. VITELLI. There is no question in my mind that, actually, testifying after Mrs. Fetchet was very difficult.

Ms. HARMAN. I would bet.

Mr. VITELLI. And it does indeed make a lot of the things that we talk about seem very trivial.

Ms. HARMAN. Thank you for that answer. It surely does to me, too. In another lifetime I was a corporate attorney. I get it, that all of this is hard. Some of my best friends are broadcasters, et cetera, but I think that nothing is harder than losing a family member needlessly in a future 9/11-type or natural disaster because we weren't ready. Does anyone think that that is less hard than the problems you all have been talking about?

OK, so I think I am going to yield back the remainder of my time. I really am too emotional about this to ask detailed questions, but I would just say to this committee that we should stop at nothing to get this right. I am planning to review the Upton bill that has been discussed. I haven't seen it and I am going to study it. I think bipartisan cooperation is absolutely necessary here and a firmness of view that nothing, and I mean absolutely nothing, will cause this date to slip. I yield back the balance of my time.

Mr. DOYLE. Chair thanks the gentlelady. Chair now recognizes the gentleman from Oregon, Mr. Walden.

Mr. WALDEN. Thank you very much, Mr. Chairman. I have a couple of questions for our witnesses and Mr. Taylor, let us start with you because you are the maker of the box, right? Or one of the makers of some of the boxes. Can you guarantee you will have an adequate supply of boxes available in time for Mr. Vitelli to have them on sale in his store by January 1, 2008?

Mr. TAYLOR. We do plan to have sufficient quantities available by January 2008. We are in discussions with our retailers right now and preparing the launch plan.

Mr. WALDEN. And Mr. Vitelli, isn't one of the issues you have is that you have got to make sure they have the boxes before you can commit that you will have them in your stores?

Mr. VITELLI. Yes, that is true. And someone mentioned earlier, and I don't remember exactly who it was, it might have been Mr. Green, but I am not sure, but the idea of some preorder process.

Mr. WALDEN. Right.

Mr. VITELLI. To estimate the actual requirements. That actually sounded interesting to me when I heard it.

Mr. WALDEN. Is that something you have done a rollout before of a new product?

Mr. VITELLI. Generally not, because manufacturers have a certain amount of supply they can come up with and if it is hot, it is usually——

Mr. WALDEN. Like Xbox, where people are camping out all night.

Mr. VITELLI. I was just going to say, yes.

Mr. WALDEN. Mr. Taylor, is there an opportunity, have you ever engaged in a preorder process? Do you think that would be necessary here?

Mr. TAYLOR. We would be happy to look into that, sure.

Mr. WALDEN. OK. I want to ask another question, Mr. Taylor. The coupons that are going to be available, you referenced that this box you have on display here is a simple dumb box, if you will let me use that term. It is very bright inside, but all it does is convert digital to analog, right?

Mr. TAYLOR. It has other features, but that is the main——

Mr. WALDEN. OK. And I can use my coupon for that. Can I upgrade to the smarter box with the recording capabilities and I will still use that $40 coupon to reduce the cost of that box?

Mr. TAYLOR. You cannot, under the law nor the NTIA rules, use the coupon for anything beyond a basic box.

Mr. WALDEN. A basic box.

Mr. TAYLOR. But we expect many consumers will buy that upgraded box. In fact, we have on the market right now DVD recorders, DVD/VCR combos with the built-in digital TV tuners. I can't speak for others in the room, but I probably wouldn't partake of the coupon program. I would probably want to get one of those higher end boxes to use with that set in my bedroom.

Mr. WALDEN. You are a consumer, just like I am and I sat here thinking the same thing. That is why I asked the question. And I can see where consumers, I don't know what lid I am opening on what box here, but consumers say why can't I use that $40 any way I want as long as I am getting a D-Day converter? So I don't know if that is something we are going to revisit or not, but Mr. Vitelli, I share the concern of some of my colleagues.

I know when we debated this issue in this committee last year, 2 years ago, the notion that retailers might still be selling TVs that are destined to be antiques here pretty quickly or at least require a set top box, and I would encourage you, too, and I feel bad for you, actually, today because you are representing one company but you are really representing the whole industry and so we shouldn't be picking on Best Buy as some sort of problem here.

But I think you understand a lot of us are concerned that without labels, without warnings, we are going to have consumers buying sets without the knowledge they are going to need one of those boxes and I just tell you, if I were on your end I would understand why you want to clear out analog TVs. Sure, you have got them or you are buying them or whatever, but I think, too, that in the long run, for consumer satisfaction, there will be a lot of grumpy folks a year from now or 2 years from now when they discover they

have got to buy yet another component, so I hope we can, Mr. Ranking Member, get a hearing on your and Mr. Barton's bill.

And I don't understand why we can't get that scheduled, given the importance of this issue to consumers and I know that the chair and the other chair are both gone right now, but I would certainly hope that we can get H.R. 608 up for a hearing, a markup, and include it for movement here in the near future.

Mr. Yager, I guess I would like to ask you and the other panelists here, I am concerned about the rollout and the education portion of this program. As you know, I had concerns about the hard date and catching consumers unprepared or the industry, the makers of the boxes, unready to help consumers. Is there anything we need to do, other than those who call for more money, is there anything we need to do or you need us to tell you to do to educate consumers that you are not already going to do?

Mr. YAGER. I think it is going to be a willingness, Congressman, to participate in the program. That is, those mailers you send to your constituents to part of the program.

Mr. WALDEN. But I mean for broadcast. At one point there was a requirement to force you to run ads, a certain number a day during certain day parts. Do you need us to do that or do you anticipate the industry is——

Mr. YAGER. No, I don't think we need you to do that. Other than Ms. Fetchet, nobody has a more vested interest in making this transition work than the over-the-air broadcaster. I mean, we are talking about our audience here. We are talking about our life blood. We have got to make sure these sets work come February 2009, so in trying to say we are going to mandate spots be run here or spots be run there gets a little difficult. We have a station in Marquette, Michigan that does 70 shares with its newscast. Three spots on that station a week will reach the whole Marquette audience. I have got some other stations that 30 spots a week are going to require to reach the same kind of saturation point. I think you have got to leave this to the broadcast stations and the individual market.

Mr. WALDEN. But you and the cable and everybody else are committed to getting this word out? That is what I want to know.

Mr. YAGER. Broadcast industry is serious, totally committed to getting the word out and I would assume cable is.

Mr. WALDEN. And Ms. Fetchet, I can't——

Mr. DOYLE. The gentleman's time has expired.

Mr. WALDEN. I just want to express appreciation for all you have done, Ms. Fetchet, to move this forward and I realize I am extended, but thank you.

Ms. FETCHET. If I could say, too, if you could, if the Government could send out information to your constituents, I think that would be helpful and also the Government Web sites would be another way to just distribute information.

Mr. DOYLE. Thank the gentleman. Now the chair recognizes the gentleman from Michigan, Mr. Stupak.

Mr. STUPAK. Thank you, Mr. Chairman. I have been in and out, but I watched you a little bit in my office. I had a meeting with constituents. Every member of this committee supports a hard date. In our bill that we ran that ended up in a close vote on com-

mittee here, on the Democratic side, our hard date was April as opposed to February and there is a number of good reasons for it, since a lot of this is in rural areas that are affected the most and February, we are worried about getting out of our driveway, not what station we are getting on the TV.

And I am glad that we have so many converts to interoperability. We don't have to wait for a hard date to do interoperability. What we need are the resources to put in there. There are patches that are available, as the hearing last week showed us about. Problems where the interoperability on Hurricane Katrina could have been done. If the administration would get behind interoperability instead of moving money, taking money, moving money, taking money.

In fact, the $1 billion you see cut out of the cops grants, we have it in interoperability, so you are taking money out of cops to put it in interoperability. It is sort of a shell game and I hope we get away from it and really put a sincere effort into interoperability instead of all these excuses about hard dates and who has got this date and that date.

And Ms. Fetchet, I hope we don't leave it to the Government to try to educate people, because we have not done a very good job. I hope we do leave it to the broadcasters, because they know what they are doing and they are much more effective in communicating what needs to be done as opposed to the Government.

But Mr. Yager, if I may ask you this question. Satellite is not here, I wanted to ask them. But let me ask you a question because it comes up oftentimes in rural areas and since you have a station in my district, Marquette and Traverse City and a couple others, let me ask you this. Many people assume that if a consumer has cable or satellite, they will be just fine on their DTV transmission. Some consumers that depend on satellite TVs, other on cable, but I am concerned that not all satellite viewers will be fine. I wish satellite was represented here today, as I said, but let me ask you.

According to the latest FCC filings, Equastar has local to local service in 170 television markets, while DirecTV has local into local service in 142 television markets. There are a total of 210 television markets. That leaves at least 40 markets where satellite is not carrying the local broadcast channel. One of these, without local into local, is of course, Marquette, Michigan in our district, and you own that station up there. So will consumers in Marquette DMA, who have satellite, need to purchase a box to receive their signal over the air?

Mr. YAGER. They would have to purchase a box if they have an analog set. When Marquette starts transmitting in digital, which I mean, they are transmitting now in digital, but they also have an analog signal they are transmitting. When they go totally digital, they will have to have a box that would convert it to analog so that they can get a picture.

Mr. STUPAK. OK. In 1999 Congress allowed satellite companies to do local into local, but it did not require it. Later, Congress did a curious thing and mandated local into local in Hawaii and Alaska, but not the rest of the country.

Mr. YAGER. And we wish you would have in the Upper Peninsula.

Mr. STUPAK. I do, too. So do you thing the DTV transition provides an opportunity for satellite companies to roll out local into local nationwide to all television markets? And broadcasters have a date certain to switch to digital, February 2009. Do you support a date certain for local into local rollout?

Mr. YAGER. Well, I certainly would support a date certain for local into local rollout. I think it is kind of unfair that the smallest markets in this country; Kirksville, Missouri; Marquette, Michigan do not have local to local service.

Mr. STUPAK. Correct. Thanks. Mr. Taylor, thanks for your testimony. Let me ask you this question. Who certifies the boxes that you make?

Mr. TAYLOR. There is a self-certification process not unlike FCC's certification.

Mr. STUPAK. Self-service. Who does it, though?

Mr. TAYLOR. The manufacturer.

Mr. STUPAK. OK, so manufacturers are putting forth these standards.

Mr. TAYLOR. But there is also a process where the boxes are submitted to the NTIA.

Mr. STUPAK. OK.

Mr. TAYLOR. And there is a stop gap measure there. If there is any inkling that there may not be the performance levels required, there is a closed loop.

Mr. STUPAK. So has NTIA approved this box, then?

Mr. TAYLOR. Not yet. The rules just came out several weeks ago, so we are finalizing the design, but this box, we believe, will be compliant and we plan to do our testing in the near——

Mr. STUPAK. Do you have to submit it to FCC for any kind of approval or their guidelines?

Mr. TAYLOR. I think there might be an FCC piece to this, but I have to admit I don't know that part of the rules.

Mr. STUPAK. OK. When do you anticipate these boxes being available so we could, like, run them to our district, see if they are going to work?

Mr. TAYLOR. They will be available at retail in early 2008. I have a few prototypes. If you want to borrow one, we could talk after the meeting.

Mr. STUPAK. Thank you.

Mr. DOYLE. Gentleman's time has expired.

Mr. STUPAK. Thank you, Mr. Chairman.

Mr. DOYLE. Thank you. The chair now recognizes my friend, the gentleman from Illinois, Mr. Shimkus.

Mr. SHIMKUS. Thank you. It is great to be here. Thank you for the panel. I have been in and out, as you can tell, conducting most of my meetings right in the hallway, so I appreciate you all coming. It is an interesting issue. My opening statement talked about dollars and cents and based upon NAB's survey and information about how many people are connected to satellite and cable and stuff, I think the $990 million is enough.

But if it is not, in the provision there is 450 million additional dollars to get rolled out to cover. And if it is not, then we can readdress that. It is not an issue that we want to stop this process. And first of all, Mary, thank you for coming and testifying. I co-

chair the e–911 Caucus and so a lot of my work has been on 911 issues, working with the same communities that you work with.

Just highlight for us again, as much as we got our big corporate titans here dealing in billions of dollars, we have to really remember that the issue here for us is interoperable communications, first line responders and ability to help that transition. I am going to give you a few minutes just to tell us again how important that is.

Ms. FETCHET. Well, spectrum, I know that that is what we are talking about today and I am so happy to hear the panelists, but that is only one area that we have to look at. We have to look at equipment, we have to look at community planning both on the local, State, regional and Federal level. I was one of the family members that pushed for the creation, the commission, and met with several of your offices over the last 5 years plus. My background, I know nothing about politics. I am a clinical social worker, so this was a new forum for me and so I went into it very naively.

But I remember the caucus and thinking about, after the report came out, about how critical it was to prepare our communities and I was just so struck, reading this final report, and when you look at the description in the World Trade Center in 1993 and the problems that they had with first responders not being able to communicate floor to floor, it just seemed like you could change the dates and it would be the same story.

I do think there is a sense of urgency. I am concerned that we are going to have a nuclear attack here in the United States and I do think to respond to something like that, the response is much different today. People are not going to rush into an emergency. They have to be prepared. They have to have the right equipment and more importantly, they have to be able to radio out to the emergency response team and so I think the spectrum is an important part of it. Certainly having the equipment and then having the planning on the local, State and Federal level.

Mr. SHIMKUS. I appreciate that. I do think of all the failures that we have done throughout the years I have been here, Katrina really highlighted a failure to move more rapidly and listening to the panelists' testimony, you understand MHz and moving and local interest, but you do bring a compelling interest to keep us to push forward and keep a hard date and move this forward so we don't have another experience like September 11 or Katrina where our first line responders cannot talk to each other. I really appreciate you being here.

Mr. Taylor, can you talk about the sets that are being sold now with digital receivers? Part of the calculations that I used really didn't address that things were being rolled out now. Is that true?

Mr. TAYLOR. It is hard to find an analog television set today, not that anyone would want to, but I have to tell you that when you see the very attractive pricing on digital television receivers of all shapes and sizes, the overall prices of flat panel displays came down by 40 percent last year on top of 40 percent reduction the year before. They are really hitting the mainstream. The install base of digital television receivers continues to rise.

There was probably 50 million sold in the last 5 years and another 50 or 60 to be sold in the next 2 years, so America's love affair with the automobile has been transferred to television and

high definition is the big driver these days and now that there is lots and lots of programming that is driving the market, it is not, I think many, many consumers are not going to wait to retrofit their old analog television set; they are going to replace it now.

Mr. SHIMKUS. Thank you very much. I will just end by saying I like multiple pipes. I think digital transmission and receiving over the air gives the consumer one more choice versus cable and satellite now over the air and I am very excited about it. I yield back.

Mr. DOYLE. Gentleman's time has expired. Chair recognizes the gentleman from Virginia, Mr. Boucher.

Mr. BOUCHER. Thank you very much, Mr. Chairman, and I also want to say thank you to our panel of witnesses for today. Sorry I didn't get to hear your prepared statements. I was unavoidably detained at another meeting.

Mr. Yager, I have several questions for you. And welcome back to the committee, by the way.

Mr. YAGER. Thank you, sir.

Mr. BOUCHER. Nice to see you again. I heard statements from a number of individuals earlier about the number of analog sets that are not connected either to cable or satellite. These would be sets that are over-the-air dependent. And some of the estimates suggested that that number of sets might be in the range of 20 million. Now, I think you might have a higher number because the 20 million sets probably would encompass those that are in households that do not have a cable or satellite connection. But even in households that do have a cable or satellite connection, there are sets that are not connected to cable. These would be perhaps on the second floor of the house where the wires don't run. And I recall from earlier hearings that we have had on this subject, that the number of sets in total that are over-the-air dependent is many multiples above 20 million, in fact, maybe as many as 70 million. Is that consistent with your numbers?

Mr. YAGER. That is very consistent with our numbers. We estimate 19.6 million sets are TV-only sets, which would conform to your 20 million, but there are another 45 million sets that are second, third and fourth sets in a household that are not connected to a multiple distribution system that are analog only. So yes, the answer is yes.

Mr. BOUCHER. Well, I think it is important to make that point and for the record, clearly to reflect it for the benefit of those who are operating under the assumption that the total universe of sets that we need to be concerned about is in the category of about 20 million. That obviously is not true. We are concerned, really, about the entire universe of approximately 70 million sets.

And that is why it is very important that the NTIA regulations not restrict the eligibility for the digital to analog converter boxes just to those who live in homes that do not have cable or satellite subscriptions. And it is my understanding that the regulation will, in fact, provide for that broader eligibility. But the money that will be required will be necessary to go to the higher number potentially, not just to the 20 million level, so thank you for your clarification.

The next question that I have of you relates to the public education campaign that we all now need to cooperate in mounting in

order to make sure that TV owners across the country are aware of this impending transition. I am pleased to be joining with Mr. Walden, on this committee, in launching the Congressional HDTV Caucus.

In that effort, we will be communicating with members of the House of Representatives, all 435 Members, providing information about the impending transition and then suggesting to them that they help educate their constituents; in town hall meetings, by putting information in their newsletters about the impending transition so that people will know that if they are going shopping now, they certainly want to buy a TV set that has a digital tuner. They have to be sure they are doing that.

And second, that they have become aware of the converter box program and the availability of vouchers. So while we are doing that here in Congress, I think the broadcasters have some things they need to be doing, to. And let me just suggest some of those to you. I think it would be very appropriate for broadcasters to have public service announcements that are carried on local broadcast stations informing the television viewing audience of the impendency of this transition.

I would hope that those public service announcements would begin, perhaps, in December of this year because the converter boxes will be available in January of 2008. People need to know that they are going to be available and PSA announcements on behalf of broadcasters would really help. So my first question to you is do you think the industry, generally, is planning to run these PSAs and if so, when will they start?

Mr. YAGER. The answer is absolutely we are planning to run the PSAs. We are planning to have a national campaign of PSAs plus very localized PSAs with the talent of our various television stations trying to explain to many of our viewers. They have the credibility in our market; our weather people, our anchors, so we will do both and December 2007 to start the PSAs is not too soon. We have got to balance this when the converter boxes are really available to the public because, as I said earlier, there can be nothing worse than to have demand for a product that a consumer cannot purchase.

Mr. BOUCHER. Well, Mr. Taylor, if the broadcast industry across the country starts PSAs in December 2007, are there going to be converter boxes available pretty soon after that January date when the vouchers are going to be available?

Mr. TAYLOR. Our plan is to have the boxes available at the first of the year.

Mr. BOUCHER. OK. That is great. Well, do you think, Mr. Yager, that the broadcast industry, generally, will start those PSAs this coming December?

Mr. YAGER. I can almost assure you of that. At least, we have already started, in our group, with the educational campaign at local level and I would volunteer the NAB digital task force to work with you and Congressman Walden in making sure that the message you get out is adequate.

Mr. BOUCHER. That is very helpful. Thank you. One other question. In Berlin, where they undertook a similar kind of transition several years ago, in advance of the transition date, the broad-

casters there ran a scroll on the bottom of the television screen announcing the impending transition. Now, you have to be artful, obviously, in how you do that. There is not a lot of room there if you are going to watch a program, but there can be some contact information, a phone number or something provided and I am just wondering if any thoughts have been given to doing that?

Mr. YAGER. A lot of thought has been given to that, Congressman, and it is a good idea. The problem is we have closed captioning right now on the bottom of our screens and that is, Mr. Nogales talked about the need for serving that community, so we are thinking about a scroll on top of the screen. It is not an undoable.

Mr. BOUCHER. I think the top is good, as long as the scroll is what counts. Mr. Britt, let me spend the rest of my limited time here with you and I am what I am asking about is what kind of signal the cable subscriber in the home is going to receive after the transition date? I asked a similar set of questions on February 17, 2005 to Mr. Michael Wilner, the CEO of Insight Communications. He basically said the following.

Let me just ask a leading question by asking you if you agree with this. He said that every home would receive an analog signal after the transition so that if individuals wanted to keep their analog sets in operation through a cable connection they could do so. That would be either through a headend conversion with the signal sent to the home or the conversion of the set top box level with the industry providing the box. Do you agree with that? Is that still the industry's plan?

Mr. BRITT. Yes, I do.

Mr. BOUCHER. OK. Question No. 2, a lot of people have now invested lots of money in high definition and they bought very nice sets. Can they rely, after the digital transition, in the full high definition signal that is being broadcast by the local broadcaster being passed through on cable to the home viewer?

Mr. BRITT. Yes, our plan is to carry high definition signals. As you know, there are many definitions of what that is, but we do plan to carry those and we carry many today already.

Mr. BOUCHER. And can the viewer rely on those signals being provided to him on whatever tier service he happens to be subscribing to so that he would not have to subscribe to the higher tier of service just to get the high definition signal? Broadcasters provide this for free. Seems to me the cable subscribers ought to be able to get those on whatever tier they subscribe to. What would your answer to that be?

Mr. BRITT. In our case, we haven't fully addressed one part of that. In our case today, if you buy digital service, which does cost more than basic, and if you then want HD, we don't charge any extra for it. Most of the other cable and satellite companies do charge extra, by the way. We have not addressed yet somebody who buys basic only who might want HD. My guess is there aren't very many of those people.

Mr. BOUCHER. We will have further discussions on that. Thank you, Mr. Chairman.

Mr. MARKEY [presiding]. Gentleman's time has expired. Gentleman from Nebraska, Mr. Terry.

Mr. TERRY. Thank you very much, Mr. Chairman, for again holding this series of these important meetings or hearings. First of all, Mary, I want to join my colleagues in thanking you for being here. You provide an important perspective in that the reason for the hard date and moving forward on this is public safety. The end result is that a major part of the spectrum will be used for public safety and that is our ultimate goal, so thank you for reminding us, as we get bogged down into the nuances of stickers on boxes.

That may sound rather silly to you and your focus is much deeper and emotional than that, and to my friend from Best Buy, I do buy there, as well, not just Nebraska Furniture Mart. In fact, your store manager at the Village Point store in Omaha has become very close to my wife. They are on a first name basis. I can't remember a name. But it is really neat to see a store manager greet people at the front when they walk in and even using their names on occasion, so you have got a good one at Village Point.

With that, I want to jump back, then, Mr. Taylor, since he is the master of the box right now, are you able to tell us, without violating any LG insider secrets about pricing, what do you expect that box to retail for next year when it is released en masse?

Mr. TAYLOR. Well, retailers actually do set the prices, but we——

Mr. TERRY. Well, your manufacturing price.

Mr. TAYLOR. We anticipate that it will sell in the $60 range at retail.

Mr. TERRY. OK. And our coupon is estimated to be $40 so the consumers still have a $20—is there a way to engineer that down to $40 or is the NTIA requirements so high that you can't do that?

Mr. TAYLOR. Very difficult to do. There is already very little margin in here for the manufacturer or for the retailer, but it is the right thing to do, to make it as—our goal, in designing the box, was always to make it as affordable as possible, but at the same time, make sure it had the features necessary to take full advantage of digital and most importantly, to have the performance.

Mr. TERRY. I don't think that really answered my question about whether the NTIA set their requirements too high to have an affordable box that will match the coupon price.

Mr. TAYLOR. I don't think, as far as we are concerned, we don't think it was ever contemplated that there would not be a co-pay on the part of consumers.

Mr. TERRY. OK. Mr. Yager had mentioned about 69 million unconnected television sets. Just in my own personal world, we have one TV that is not hooked up to cable because that is the one hooked up to the Xbox and we don't use it for TV at all, so I wouldn't use a coupon for that TV set even if you gave it to me. So I want to ask John, it seems pretty high to me that we are talking about 69 million TV sets that are going to need a converter box. Do you agree with that number? Does CEA agree with that number?

Mr. TAYLOR. According to the Consumer Electronics Association, about 30 million television sets are used solely with video games and DVD players, so unless the consumer wants to hook an antenna up to them, they would not need a box, so that kind of comes right off the top. There are lots of numbers floating around out there. We think there is going to be a market in the tens of mil-

lions of units for these, but again, I would point out that millions of consumers, tens of millions of sets will be purchased over the next 2 years that have the digital tuner built in.

Mr. TERRY. Mr. Yager, very quickly, I appreciate a quick answer, your testimony suggests that we should be sending consumers two coupons to be able to get to these secondary tertiary level of TVs that aren't hooked up to cable.

Mr. YAGER. And that is the NTIA's recommendation, as I understand it.

Mr. TERRY. OK, and that is the National Association of Broadcasters' suggestion, as well?

Mr. YAGER. That is correct.

Mr. TERRY. OK. Just for the record, I will join Mr. Shimkus in saying that I think we need to have some level of fiscal responsibility in here and you also mentioned that there is not enough money set aside to do two for each household.

Mr. YAGER. Well, the law provides up to a billion and a half dollars for the converter boxes. What we don't know is what the demand is going to be and I am not trying to mislead you in terms of what we think the demand will be. When the television campaign begins to say that converter boxes are available, I think you are going to see a totally different dynamic on the part of the public because we believe television works and we believe we can sell a product and it would put——

Mr. TERRY. Well, my time is up, but I appreciate your restating that for the record and Mr. Chairman, if you would give me 5 seconds, I still stand by my original position that I earn $160,000 here. I have one TV set that is for a game. I don't need a coupon and it is almost insulting to this Government that we are going to send me or others in like positions multiple coupons.

Mr. MARKEY. The gentleman's time has expired. The chair recognizes the gentlelady from California, Ms. Solis.

Ms. SOLIS. Thank you, Mr. Chairman. I want to begin by thanking Mary Fetchet for coming and talking so eloquently about what we need to do here in the Congress to enter into more discussion and debate about interoperability. And I say that in all sincerity, because when you hear about the impact of what we are talking about with respect to all the witnesses today, if people, a large number, millions of people don't even have access to, say, the digital components and equipment and television and what have you, that is soon to come, that is even going to be even more disastrous when there is, say, perhaps another disaster.

And California is a prime area for that. We have earthquakes, we have fires. If people, for example, that don't speak English are in a remote area and don't have access because they are going to be cut off, how do we communicate with them? How do we keep those lines of communication going?

So my question, I guess, for Mr. Yager and Mr. Britt, and I thank you all for coming, is you mentioned the kind of outreach programs that you are prepared to do, but I don't hear about any concrete efforts where you have a plan of action, because this is coming so soon, a strategic plan. Have you gone out, have you talked to people from the various communities that are going to be

most heavily impacted and what kind of plan is that? And I will go to Mr. Yager first.

Mr. YAGER. The answer is yes, we have. In our own company, we have a station in Texas on the Texas-Mexican border where we are fully intending to do our PSAs in Spanish. It is a very strong Hispanic market. We have been advised by the NAB, in response to Mr. Nogales's question about a Web site. There will be a Spanish language Web site up on the conversion, probably within the next 2 weeks. Every general manager in our company is charged with getting to the leadership of their community to explain to them first what is going to happen. It is amazing to us how little is known about the conversion, even in Congress, other than the House Commerce Committee.

Ms. SOLIS. Just quickly, is there any attempt to also put a 1–800 number with individuals who speak the language, other than English?

Mr. YAGER. Absolutely.

Ms. SOLIS. OK, then. For Mr. Britt I would also ask you what efforts you have underway?

Mr. BRITT. Yes. We have a very direct relationship with our customers. We send them bills every month. Many of them call us every month. And we operate in communities where people speak many languages, including Spanish. And we always have people who are able to speak those languages and we have people who write materials that are culturally sensitive so it is not just English translated. So we are going to use those skills in this education effort, which is very important.

Ms. SOLIS. I would just like to bring to Mr. Yager and to your attention, Mr. Britt, that just reading your testimony, you mentioned you have advisory groups that you are talking to about planning for all of this and I noticed that you mention the leadership conference on civil rights, but I see no major Hispanic national organization involved. Can you please make an effort to do that immediately? And then my next question is for Mr. Nogales, because you have traveled so far. What have we missed here that we should probably highlight or underscore in terms of how we really reach these niche markets that are out there that we still have not uncovered?

Mr. NOGALES. Thank you very much for the question. I have been sitting here very patiently hoping to get into this. I think we all understand that the security concerns of this country are paramount, but the other part of what we are supposed to be doing here is transitioning a population from analog to digital.

I think that relying on the broadcasters, the cable companies, the satellite, everybody else, that they are going to help us and they are going to somehow bridge all the differences is wrong. I think that community based organizations can do a much better job, especially when it comes to niche markets, such as the Latino community.

I haven't really heard anything that we are working with the community based organizations to get the word out to our population. If 7 million of the people that we are looking at that need transitioning are not going to be included because community based organizations are not going to be part of the equation, I don't

see how that is going to be done. So with all due respect to everyone here, I say that we have to invest monies to make sure that community based organizations are really involved in helping our population transition over, otherwise it is not going to happen.

Ms. SOLIS. And just lastly——

Mr. MARKEY. Could I, just only because we have 10 minutes left to go here and I would like to have the remaining members ask questions, if that is all right.

Ms. SOLIS. That is fine.

Mr. MARKEY. I thank you. gentlelady's time is expired. Chair recognizes Speaker Hastert.

Mr. HASTERT. I thank the chairman and I thank you for bringing these witnesses before us. I think your testimony, Mrs. Fetchet, about what happened on 9/11 really puts us into focus, why we are doing this—is to make sure there is spectrum available for a new dynamic way that people can talk to each other and so we can prevent the kind of disasters, at least after the fact, that happened on 9/11 so that our responders can respond and do the job they have to do.

So I thank you very much for being here and your testimony. I listen to this and think about all the things that are going to happen before February 17, 2009. Congress will stand for election and be sworn in to the 111th Congress before then, so we have to go through all that process. We are going to elect a new President. He will be elected, he will be sworn into office before all this. Americans will pay their income taxes twice before all this happens, so in our minds we have a lot of things we have to do.

And probably guys like me have an old black and white TV in my little townhouse in Washington with two rabbit ears. Let me tell you how old it is. It has got Magnavox on it, so anyway it is going to be February 18 and I am going to turn that TV on to get the morning news and all of a sudden it is not going to work. So I will probably go down to Best Buy or someplace and say "hey, have you got any of those boxes left" and I won't have the coupon and I will be paying $60 or $70. Well, I hope you got boxes left after February 17.

But the fact is people who tune it to your TV stations and they are your customers, aren't they, in a sense? Is that correct?

Mr. YAGER. That is absolutely correct.

Mr. HASTERT. And if you are not making sure that you have those people still in your system, you lose them, right?

Mr. YAGER. Shame on us if we do.

Mr. HASTERT. And in a sense you lose revenue. Some of them might be subscribers but the other people are people that buy from your advertisers.

Mr. YAGER. That is correct.

Mr. HASTERT. So in a free market sense, it is really important that those people go out and do the things that they have to do because you are going to lose a customer, right?

Mr. YAGER. Absolutely.

Mr. HASTERT. So you are probably going to do whatever announcements you have to make beforehand, remind people that if you have an old black and white set, like me, maybe I will have to get——

Mr. YAGER. Well, I may get this box for you, right here.

Mr. HASTERT. Oh, thank you. Mr. Taylor, these people in a sense are your customers, too, right?

Mr. TAYLOR. Absolutely.

Mr. HASTERT. And if they aren't warned beforehand the type of product that they are going to buy, whether I walk into the Wal-Mart store that is just down the road from me, I am out in the country, or a Best Buy or whatever, if people aren't told the truth about what they are buying, retailers and your industry suffers, isn't that true?

Mr. TAYLOR. Absolutely.

Mr. HASTERT. So it is really in your best interest.

Mr. TAYLOR. There aren't very many analog sets left on retailers' shelves, thankfully.

Mr. HASTERT. Do you have any black and whites?

Mr. TAYLOR. No more black and whites, sorry to say.

Mr. HASTERT. Out of luck.

Mr. TAYLOR. But even those that are, manufacturers did voluntary labeling a year ago, when we had the hard date, to make sure consumers understood that when February 2009 rolls around, you would need an additional piece of equipment to be able to receive over-the-air——

Mr. HASTERT. I don't even have a TV hooked up for an Xbox. I don't know what an Xbox is. But that happens. I know we have a vote and I want to extend my appreciation to the chairman for allowing me to take a couple minutes and testify, I think the free market is working and I think, to the extent that Government can help it, we will. And just the fact that these coupons are going to be available to people that need it. Again, Mrs. Fetchet, I thank you for your testimony and for the cause of this, why this is really happening. And I will yield back my time.

Mr. MARKEY. Gentleman's time has expired. The Chair is going to recognize the gentleman from Pennsylvania, the vice chair of the committee, Mr. Doyle. There are 6½ minutes left for four votes out on the House floor. I will leave it to his discretion as to adjourning the hearing.

Mr. HASTERT. Mr. Chairman, before we close. Will you accept our opening statements?

Mr. MARKEY. Without objection, all of the statements will be included in the record. I yield to the gentleman from Pennsylvania.

Mr. DOYLE. Thank you, Mr. Chairman. Mrs. Fetchet, I just want to echo my colleague's sentiments that the questions we have for the rest of the panelists today pale in comparison to our responsibility to make sure first responders have interoperability and you have my personal commitment that there will be no backtracking on the date and that we will do what we can to do that as soon as possible.

Now, Mr. Taylor, apparently you are not the person to ask what this set top is going to cost because you are not the retailer, so Mr. Vitelli, let us ask you, can you tell this committee, with any degree of certainty, that these set top boxes that people are going to come in with coupons for are going to cost around $60? Is that what you see happening at Best Buy?

Mr. VITELLI. How much are they going to cost, John?

Mr. TAYLOR. Around $60.

Mr. VITELLI. It will probably be close to that because we have products today that we sell at low margins. We have products that we sell at different points and they are all over the map.

Mr. DOYLE. So when Mr. Taylor says he expects the box to retail at around $60, are you going to sell it to him for $60 and have him sell it for free? Is that it, Mr. Taylor?

Mr. TAYLOR. That is what we would consider the manufacturer's suggested retail price, but it is up to retailers to set the actual——

Mr. DOYLE. OK, so is $60 a real number?

Mr. VITELLI. I don't know. I have not gotten a proposal from anyone specifically yet.

Mr. DOYLE. So we don't know what the real number is?

Mr. VITELLI. I don't, yet.

Mr. DOYLE. And Mr. Taylor, you say you are going to have boxes ready at the beginning of the year. How many boxes do you anticipate, not a sufficient quantity, I am not going to hold you to an exact number.

Mr. TAYLOR. I don't have a number today. We will work that number out with our retailers in the coming months.

Mr. DOYLE. Just wing it for me. Three million?

Mr. TAYLOR. Way too soon to say. Just don't know yet.

Mr. DOYLE. So we have got these 23 million customers. Let me just ask that one question. I think there is going to be, by the way, to my friends on the Republican side, I don't think there is going to be plenty of money because I think there is going to be so much up-selling going on here that we are going to see very few people come in with that coupon and leave the store with one of those kind of boxes. I think they are going to be, I don't want to call it bait and switch, but I think there is going to be a lot of up-selling. Mr. Vitelli, is it your opinion that at your Best Buy stores that there is going to be an effort to try to get these consumers to buy TV sets or fancier boxes or when they come in with that coupon are you just going to hand them the set?

Mr. VITELLI. As I mentioned earlier, what we do at Best Buy, we do not have a pressured sales environment. We talk to the customer about what they are trying to accomplish and what they are trying to do and if they come in with the coupon and they want to buy a box, they will get a box.

Mr. DOYLE. OK. At this time I want to yield to my friend, Mr. Inslee, for the balance of my time.

Mr. INSLEE. Thank you. I just want to ask about the frequency, the penetration of the PSAs that people will receive. When we run for office, the people who do our media tell us there are a certain number of points that you have to have until a message is actually received. How many points will people receive as a result of the efforts, either of the Federal or private enterprise on these PSAs?

Mr. YAGER. Points are referring to a rating point and normally, they are broken down. A rating is that percentage of the total audience that is viewing television at any given time and in any given market. We always recommend about 150 to 200 rating points a week if you are trying to sell a product or a commodity to a viewer. We think we will probably far exceed that. You have got to remember that again, our vested interest in making this transition kind

of seamless for the viewer is absolutely critical to the television industry.

Mr. INSLEE. So how many points throughout the course of the campaign would a person be exposed to?

Mr. YAGER. That is really going to depend on how fast the demand develops for the boxes. If the demand is great for the boxes in the early part of 2008, obviously toward the end of the year, the points will go down. If it continues strong, I mean, if it continues and the demand is not there, we will continue to promote right up until February 17.

Mr. INSLEE. So has the industry made any commitment that any of us can count on that enough points will be put out on a PSA to make sure all those coupons are used?

Mr. YAGER. I don't know how we could do that, make a commitment in terms of points to get all the coupons. What we can commit to is creating the demand for the coupons and making sure the public understands the need to have a box to operate an analog set after the 17th of February 2009.

Mr. INSLEE. Let me just express, and I am not sure you can solve this, but one of the frustrations we have here is we are very concerned, I have been very concerned. I still don't think that our approach to these coupons is adequate to the Americans that are going to be very frustrated by this experience and we think it is very important this information be obtained by Americans. And we are trying to get a handle on what people will really see and it is pretty amorphous. I hear the industry saying they have good intentions, which I appreciate, and I think it is sincere, but is there anything you think you could give us more to sort of have more real parameters on what it will really look like in real life?

Mr. DOYLE. And I would advise my friend that we are down to 54 seconds on our vote.

Mr. YAGER. I don't think I can answer the question in 54 seconds, but we are committed to using the talent and the personnel of our television stations who have the credibility in the local markets we serve to advise the American public about what is the whole transition.

Mr. INSLEE. Thank you.

Mr. DOYLE. And I want to thank the panelists. It is the chair's intention to adjourn this hearing at this point. Mr. Taylor, I would just leave you with one thought. When people call that toll-free number on your set top box, could there be a human being on the other end of the phone, please?

Mr. TAYLOR. There will be in Huntsville, Alabama.

Mr. DOYLE. Thank you. Thank you. This meeting is adjourned.

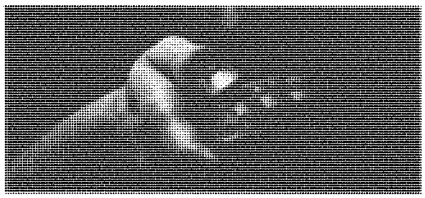
[Whereupon, at 1:00 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

Consumer Electronics Retailers Coalition

CERC

www.ceretailers.org

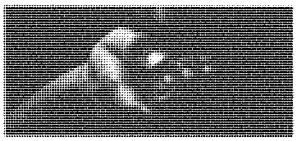


What you need to know about the February 17, 2009 "DTV Transition"

Questions & Answers

What you need to know about the February 17, 2009 "DTV Transition"

Questions & Answers



1. When will the transition from analog to DTV broadcasting occur?

The Congress has now passed legislation requiring all conventional "analog" TV broadcasting to stop on ***February 17, 2009.*** After that date, your local television broadcasters will be making only "DTV" broadcasts. ***If received via an antenna*** these broadcasts will require different TV tuners.

2. What is "DTV?"

DTV stands for "digital television," or, in this case, the *broadcasting* of digital television by local TV broadcasters. ***The signals are sent from local transmitters, over the air, to homes, by modern digital techniques rather than the older "analog" methods that are not as efficient.***

3. What is "HDTV?"

HDTV (short for High Definition Television) is the highest quality form of DTV. Not all DTV broadcasts are in HDTV and not all DTV receivers can display HDTV. ***Broadcasts in HDTV are available only on DTV broadcast channels—they are not available over analog broadcast channels.*** (HDTV is also available from cable, satellite, and other services.)

4. Will there be any charge to receive these digital channels?

No, broadcasts that are now free (or advertiser-supported) to consumers who receive them via antennas are ***expected to remain free.*** (It is possible that additional "pay" services may be launched in the future, but these are not expected to replace the free services offered today.)

5. Why must over-the-air broadcasting stop on the "analog" channels?

For more than half a century, TV broadcasts have used the technology that was invented in the 1920s and 1930s, and refined (by adding color) in the 1950s. In 1997, when broadcasters became interested in HDTV, and in order to find additional space for emergency communications and advanced services, the Congress decided that it was time for TV broadcasting to move to more modern and efficient "digital" techniques, which allow broadcasters to offer more channels to viewers. ***So, Congress instructed the Federal Communications Commission ("FCC") to assign to broadcasters new and different "DTV" channels and, after a "DTV Transition" period, to have the broadcasters return their old analog channels.***

- The frequencies used for the old "analog" channels will be re-assigned for other uses through an "auction." ***Holding an auction for these frequencies will free up space for new "broadband" and other communication services, and will help emergency responders to coordinate their communications.*** (Finding new frequencies for emergency communications became a high priority after September 11, 2001.)

6. I now subscribe to cable or satellite — Do I need to be concerned about the end to free, over-the-air analog broadcasts?

You will probably not notice much change for those TVs hooked up to your cable or satellite service, but you might be missing out on some opportunities. Cable operators pick up most local broadcasts at a central location and send them to homes over cable; satellite services increasingly are able to do this as well. ***It is likely that they will continue to provide whatever free local broadcast programming they currently provide to you, even after there is this change in broadcasters' means of transmission.*** *However:*

- If you have TVs in your house that are ***not hooked up*** to your cable or satellite service, and rely on an ***antenna*** to receive conventional broadcasts, you will need to make alternative arrangements to keep watching these TVs.
- In the future, cable operators might *also* move to "all digital" means of delivery, which ***could mean you would need to lease a "set-top box"*** or own a TV with a digital cable tuner (such as one with a "CableCARD" slot) to continue to receive the channels you now view on a conventional TV.
- If a local broadcaster launches several new digital channels, a cable, satellite, or other programming service ***operator might not agree, or be required, to carry all of their local channels, or to carry them in HDTV.*** You might, therefore, need a DTV or HDTV ***tuner*** and an ***antenna*** in order to receive those channels.

7. Does my TV have a DTV tuner? What about my VCR, DVD recorder, PVR, DVR, etc.?

Most of the televisions that have DTV tuners are those that have been sold — since about 1998 — as having an ***"integrated"*** HDTV broadcast tuner. Most of these products are also capable of displaying HDTV, so they are sometimes advertised or sold as ***"HD Built-in."*** (An HD set sold as a "monitor" or "HD-ready" is capable of *displaying* HDTV but does *not* have a built-in HDTV tuner.) The FCC now requires that any larger TVs with "analog" tuners also be marketed with built-in or separate DTV tuners, and this will soon be a requirement for all TVs— so you should be seeing more and more "integrated" or "built-in" products in stores. (Some of these may be "DTV" or "EDTV" sets that cannot display full HDTV.)

- Separate ***HDTV broadcost tuner products*** have been available for several years. (You are likely to know if you have one.) Now that the Congress has passed its "transition" legislation, you can expect to see ***"DTV Broadcast Converter"*** products that, when hooked up to an ***antenna,*** convert the new digital broadcast signal to an old analog signal that your older TV can tune and display.
- Most VCRs, DVD recorders, personal video recorders ("PVRs") and digital video recorders ("DVRs") ***do not presently have HDTV or DTV broadcost tuners, even though they may record by digital means.*** (However, if one of these products has a slot for a "CableCARD," it does have an HDTV or DTV broadcast tuner.) ***"DVRs"*** provided by cable operators ***do not*** have digital broadcast tuners (cable operators use a different means to transmit digital signals), but some provided by satellite operators do. The considerations for supporting these non-TV products are similar to those for your present TVs.

8. If I am shopping for a new TV, what does the February 17, 2009 shutoff of the analog channels mean to me?

If you plan to purchase a new TV that will rely on a roof-top or indoor ***antenna,*** you may want to make sure that it has a ***built-in*** (integrated) ***HDTV or DTV tuner.*** In fact, FCC rules *require* that by March 1, 2007, any TV produced with an analog broadcast tuner ***must also have a DTV broadcast tuner*** built-in or marketed to retailers with the set. ("Monitors," however, such as those used with computers, need not have *any* tuner.) One bonus: Many of these "built-in" sets also have slots for ***CableCARDS*** which, when provided by your cable operator, ***allow you to tune premium coble channels (including HDTV channels) without needing o set-top box.*** This gives you an additional choice if, in the future, you might plan to subscribe to a cable service.

- If your new set is going to be hooked up to a cable, satellite, or telephone company video programming service instead of to an antenna, you may not need a DTV broadcast tuner. You can expect to receive all of the broadcast channels that you are accustomed to watching ***if they are carried by this operotor.*** However:
  - If these broadcast channels are not carried, or are not carried in full HDTV resolution, you will need an ***antenna to get the remaining local channels,*** and your set would need an HDTV or DTV tuner built-in or added on (depending on whether the channels you want include HDTV broadcasts and whether your set can display HDTV). *For local information, see www.antennaweb.org.*
  - You may in the future need to ***lease a set-top box*** from your cable, satellite, or telephone company, particularly if your new set does not accept a CableCARD.

(continued)

9. In watching the TVs now in my home that are *not* connected to a cable or satellite service, what does the February 17, 2009 shutoff of the analog channels mean to me?

If your TV is not currently hooked up to an antenna (for example, it is being used to play video games, or to watch DVDs or camcorder movies, etc.), nothing will change, because only *free over-the-air broadcasts* will be affected by this DTV broadcast transition. If your existing TV currently relies on an antenna to receive free broadcast programming (and it does not have an "integrated DTV tuner"), you will have several options:

- You could ***subscribe to a cable, satellite, or other program delivery service*** that carries the broadcast programming in which you are interested. If you are already a cable, satellite, or other programming service subscriber, you can extend your hookup to reach this TV.
- To continue to rely on an ***antenna,*** you will need an external ***"DTV Broadcast Converter" product.***
  - If your set is an ***HD Monitor*** (sometimes called ***"HD-ready")*** you will want a tuner that can display HDTV broadcasts in full HDTV resolution (rather than "downconverting" them to a lesser format).
  - If your set is a "standard" television, you will want to obtain a ***"DTV Broadcast Converter"*** product that converts a "DTV" or "HDTV" broadcast to a standard "analog" output that your TV can receive — either as "channel 3 or 4" or one of the other standard inputs that your TV already has. ***The Congress hos provided funds to assist consumers, from January 1, 2008 through March 31, 2009, in obtaining these converters via "coupons" (no more than two per household, $40 per purchased product) thot can be applied to their price. Additional detoils ore not yet available.***

10. What else do I need to know about HDTV?

High Definition Television, or "HDTV," is the more general name for showing video in a new and better format — ***a wider screen with about 5 times the picture information.*** All types of video displays — conventional picture tubes, the various sorts of projection TVs, and the new "flat panels" — can show HDTV if they are designed to handle all of this video information in the new format. ***You can expect a product to tune or display HDTV only if it was sold or advertised as such.***

- If your existing set is *not* HD-capable (an ***"HD Monitor" or "HD built-in")*** it will not display an HDTV signal in full quality, even if an "HDTV broadcast converter" is attached to it.
- If your existing set *is* HD-capable it should display an HDTV quality picture when an HDTV broadcast converter is attached (but will display only a standard quality picture from a "DTV Broadcast Converter" that is not advertised as HDTV).
- For your existing TV that ***cannot handle HDTV,*** a "DTV Broadcast Converter" should *tune* the HDTV broadcast channels, but provide them to your set ***in the standard quality format that your set can display.*** (Some, but not all, of these might also provide HDTV-quality signals to "HD-ready" sets.)

11. What is "EDTV?"

Enhanced Definition Television, or "EDTV," refers to the capability of displays to show pictures at about the same quality level as DVDs — better than pictures from standard analog broadcasts, but not of the same quality as an HDTV display. For such a set, you might get better performance from a broadcast converter product that has enhanced capabilities as well. For further information on display formats, see the FCC's DTV site at **http://www.dtv.gov/whatisdtv.html**.

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Digital Television Transition Campaign Plan

Prepared by Jonathan Collegio
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Vice President, Digital Television Transition
January 2007

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EXECUTIVE SUMMARY

The federally mandated transition from analog to digital television (DTV) broadcasting scheduled for February 17, 2009, presents significant challenges for the television broadcasting industry and consumers across the country. Over 19.6 million households currently receive free, over-the-air (OTA) broadcasting exclusively in their homes, and millions of cable and satellite subscribers also receive free broadcasting on secondary television sets. Without an extensive campaign to educate consumers, organizations and policymakers, millions of these consumers could be left without television reception after the transition.

To meet this challenge, the board of the National Association of Broadcasters (NAB) – the trade association that advocates on behalf of more than 8,300 free, local radio and television stations in the United States – in 2006 approved funding for a DTV transition campaign unit at NAB. Managed by a new vice president of digital television transition, with campaign staff and a multimillion-dollar budget, the campaign will coordinate a national public affairs and consumer education campaign with the following goal:

> To ensure that no consumer is left unprepared, by lack of information, for the February 17, 2009, federally mandated transition from analog to digital broadcasting.

The DTV Transition campaign will involve a coalition of grassroots and membership organizations, trade associations, business organizations and industry groups in its consumer education outreach and will serve as a leading resource for policymakers, analysts and the media.

With full attention to its goal, the DTV Transition campaign will utilize modern campaign technology and marketing to reach affected consumers and will have a multicomponent focus, involving:

- **Research:** Utilize focus groups, conduct survey research and use regression analysis to determine the demographics of the consumers the campaign must reach, where they get their information, and which messages best resonate with them;
- **Earned Media:** Maximize positive coverage of the DTV transition in trade publications, business journals, mainstream media, "new" media and multicultural publications through a planned and disciplined earned media campaign;
- **Marketing and Paid Media:** Produce and disseminate to local broadcasters public service announcements promoting the transition, and implement other advertising and marketing tools;
- **Speakers Bureau:** Utilize viral marketing by coordinating a nationwide speakers bureau to bring the DTV transition message directly to consumers through local community speaking engagements and events;

- **Coalitions:** Coordinate a large coalition of trade associations, business organizations, labor unions, grassroots organizations and consumer groups in Washington, D.C. and beyond that have an interest in making the transition go smoothly and can also bring the transition message to their members;
- **Unified Message:** Coordinate messaging among the various coalition partners to make sure that as many groups as possible are singing the same "DTV transition tune."

Winning campaigns are well-organized operations with a strong candidate, a unified message and the resources to spread that message. The DTV Transition campaign has an outstanding candidate in digital television; has hired the best survey research team in the country to design a compelling message about the transition for diverse audiences; and can use television networks and local broadcasters to project that message through high-quality public service announcements.

The DTV transition campaign will be executed in three phases:

- **Phase I** (January 2007 - February 17, 2008) – The first phase is aimed at educating influential audiences in government, business and the media about the DTV transition and what broadcasters and the coalition are doing to make sure no TV set loses reception. It will also see the kickoff of the DTV Speakers Bureau, which the campaign will use to schedule local speaking engagements about the transition.
- **Phase II** (February 18, 2008 - November 9, 2008) – The second phase, from the one-year-out point until immediately after the 2008 elections, is aimed at educating OTA consumers and the general public about what they need to do to navigate the transition.
- **Phase III** (November 10, 2008 - February 17, 2009) – The third phase is the final stretch of the campaign, including the last holiday season before the transition and the first seven weeks of the New Year. Phase III will see the bulk of the public service announcements, and as the DTV campaign will be established as the key source of information on all things DTV, much of the earned media efforts will pivot toward reacting to media inquiries, rather than actively pitching stories.

With a 100 percent focus on its primary goal through the February 17, 2009, transition, the DTV Transition campaign will reach its goal of making sure that no consumer is left unprepared for the transition due to a lack of information.

BACKGROUND

In its February 2006 Budget Act, Congress set a hard deadline of February 17, 2009, for television broadcasters to replace analog broadcasts with digital broadcasts. Because television sets with analog tuners cannot read digital signals, and consumers without technological upgrades could lose free over-the-air (OTA) reception, this transition has critical implications for the television broadcast industry and millions of OTA television consumers across the country.

Of the roughly 110 million American households with television penetration, approximately 17.8 percent, or 19.6 million, receive free, OTA reception exclusively in their homes. The number of television sets in those broadcast-only homes is 45.5 million, with an additional 23.5 million secondary broadcast-only sets in households with cable or satellite hookup.

Households:	
U.S. TV Households:	110,200,000
% of TVHHs:	
Broadcast-Only	17.8%
Cable/Satellite, Cable/Satellite + OTA	82.2%
Broadcast-Only TVHHs	19,615,600
Cable/Satellite + OTA	14,670,000
Total OTA HHs	34,285,600
Sets:	
In Broadcast-Only HHs	45,508,192
In Cable + HHs	
Connected Sets	236,425,284
Broadcast-Only Sets	23,551,944
Total Sets	305,485,420
Total OTA-Only Sets	69,060,136

Source of estimates: NAB Research analysis of Spring 2006 Knowledge Networks/SRI Home Technology Monitor *survey; 2005-2006 Nielsen U.S. TV Household estimates.*

Including both primary and secondary OTA households, more than 34 million households will be affected by the DTV transition in February 2009, including at least 69 million television sets.

Consumers receiving OTA-only television are generally not early adopters of technology, and the vast majority of OTA-only homes do not have new televisions with digital tuners.

Groups most disproportionately affected by the transition are seniors, minority populations, the economically disadvantaged and those living in rural areas. Furthermore, not only are these groups potentially difficult to reach, but often the only variable OTA-only consumers share in common is that they are OTA-only consumers.

Consumers who receive OTA broadcasting on secondary television sets also number in the millions. These are consumers who subscribe to cable or satellite services but have other televisions in their homes or secondary residences that receive OTA signals. Secondary OTA consumers are a large group that any consumer education campaign must reach.

Over-the-air television consumers have three options for navigating the February 2009 transition:

1) Purchase a set-top converter box that will convert the digital signal into analog for an existing analog television set;
2) Purchase a new TV set with a built-in digital tuner (integrated TV set); or
3) Switch to a cable, satellite or telco service provider, in which case analog sets will continue to function.

New TV Sets: All new TV sets distributed in the United States as of March 1, 2007, will incorporate digital tuners, but because the majority of consumers affected by the transition are not early adopters of technology, few OTA-only households might have digital sets in the last days before the transition.

Set-top Converters: Congress has approved between $990 million - $1.5 billion in funding–minus administrative expenses–for a converter box coupon program to be administered by the National Telecommunications & Information Administration (NTIA). NTIA will distribute the coupons to eligible households to purchase converter boxes.

The coupons will be valued at $40 each, and eligible households will be able to request up to two coupons. NTIA's rulemaking process will determine which households will be eligible for the coupon program. At the current level of funding, if each household requests only one $40 coupon, NTIA can at most provide coupons to 33.5 million TV households. NTIA staff has indicated that the coupons and converter boxes will be available in the first quarter of 2008, approximately one year before the transition date. However, manufacturers have yet to supply these converter boxes, and distributors have yet to determine how they will be marketed.

The pricing of the boxes is unclear, although manufacturers have told NTIA that at least some of the boxes made should be in the $50 - 70 range. Other boxes, depending on their features, may be more expensive. As Congress directed that the coupons be used only for streamlined boxes, some boxes might be manufactured that are not eligible for the coupon program because they have added features, such as hard drives or DVD players.

Congress has also approved $5 million in funding for a consumer education campaign for the coupons, which will be directed by NTIA between early 2008 and mid 2009.

Cable and Satellite Subscription: Cable and satellite service providers may be able to send the digital broadcast signal over their systems to consumers with analog TV sets.

The DTV Transition campaign will run a rigorous public affairs campaign to bring the transition message to affected consumers, thus minimizing the number of consumers equipped to receive only analog broadcast after the transition date.

DTV Transition Campaign

RESEARCH

Survey Research

- Focus groups
  - Stakeholders
  - Consumers
- Benchmark survey (Phase I)
- Design messages for different groups (Phase I)
- Tracking (Late Phase II, Phase III)

Media Research

- Content analyses
  - Mainstream media
  - Trade publications, analyst reports, business journals

MEDIA

Earned Media

- Web site (Phase I)
- Educate influential audiences (Phase I)
  - Trade publications
  - Congressional/regulatory journals
  - Business magazines/journals
  - Editorial board meetings with larger newspapers
- Educate target audiences (Phases II and III)
  - Mainstream newspapers
  - Mainstream magazines
  - Television news
  - Local media
  - State broadcasters editorial board meetings
  - State broadcaster op-eds
  - Local TV news stories

Speakers Bureau (Phases I-III)

- Organize speaking engagements for broadcasters at local level
  - Enlist local broadcasters, group owners to identify speakers
    - Representatives from stations
    - Local personalities
  - Schedule 12 local events per year per station
    - Locations include clubs, nursing homes, community centers, community colleges, etc.
  - Speakers Bureau managed by Crosby Volmer Communications
  - Evaluation

Paid Media

- Public Service Announcements (Late in Phases II and III)
  - Outsource creative and production for high-quality spots
  - Identify PSA spokespeople to reach specific demographic groups affected by the transition

- Marketing and advertising (Phases I-III)
    - Branding
    - Billboard advertising
    - Coordination with NTIA's consumer education campaign on converter box coupons
    - Point of purchase consumer guides (Phases II and III)

EXTERNAL RELATIONS

Coalitions

- Identify stakeholders for a DTV Transition Coalition steering committee (Complete)

- Identify members of all-inclusive DTV Transition Coalition (Phases I and II)
    - Trade associations
    - Business organizations
    - Labor unions
    - Membership organizations

Government Outreach

- Federal
    - Executive
        - White House Office of Public Liaison
        - Commerce Department
            - NTIA
        - FCC
    - Congress
        - Commerce Committee, House and Senate
        - Formation of DTV Caucus
        - Leadership
        - Rank-and-File (franked mail)
- State and Local
    - Governors
    - State legislatures
    - County officials
    - Mayors
    - School boards

Broadcasters

- State broadcaster associations
- Local television, radio stations
- Group owners
- Broadcast networks

Part I: RESEARCH

Research is a crucial component of any successful campaign, and to effectively educate the media and consumers about the DTV transition, the campaign must quantify and identify the consumers the campaign must reach through survey research; identify where these consumers receive their information; and determine which DTV messages best resonate with consumers. The research component of the campaign must also include analysis about how the media has covered the transition in the past to help the campaign project future coverage.

To that end, Strategy One and the Glover Park Group – two of the most widely respected and successful strategic market research and polling firms in the nation – have been hired to conduct survey research and focus groups for the DTV Transition campaign. Both firms have a strong background not only in corporate positioning and strategic communications, but in the aggressive, rough-and tumble world of campaign polling as well.

Focus Groups
Because certain messages will resonate differently among various groups, the DTV campaign has commissioned three rounds of focus groups with DTV stakeholders and OTA consumers. Such focus groups are unscientific, but they provide campaigns with a fresh perspective on a daily basis.

One focus group with coalition stakeholders was held in Washington, D.C. on January 16, 2007. Three focus groups with OTA consumers were held in Baltimore, Maryland, on January 17, 2007. Two more were held on January 25, 2007, in Tucson, Arizona, with Hispanic OTA consumers, with one group conducted in English and another in Spanish.

These focus groups will help our research team design messages that can be tested for effectiveness in telephone surveys.

Survey Research
Survey research will help the DTV Transition campaign identify OTA consumers and establish their information sources. Additionally, information gleaned from the survey research will help the campaign to focus earned media efforts toward these consumer information sources and determine which DTV messages best resonate with various OTA groups.

With potential messages crafted and identified in the January 16, 2007, stakeholders' focus group, and others in Baltimore and Tucson, the campaign will commission a "benchmark" survey to determine the most effective messaging techniques and messages with each of the groups most affected by the transition. The research team will test multiple messages with consumers to determine which best resonate with the different groups.

In the first phase, the campaign may also explore the possibility of hiring specialty firms to gauge public awareness of the transition specifically among seniors, minority populations, and perhaps national policymakers, opinion leaders and congressional staff.

As the campaign unfolds, it will continue to plan additional surveys to gauge public awareness of the transition, especially as the transition day nears. Additional research can help identify which segments of the population remain unaware or confused by the transition, allowing the campaign to adapt messages, marketing and the focus of earned and paid media efforts.

Media Research
To guarantee positive and extensive future coverage of the DTV transition, the campaign must know how the media has covered the transition in the past, setting a baseline for future comparison of the visibility and credibility across key audiences. Methodical media research will be used to compare the communications messages and tactics of those competing for our audiences' attention, and to identify sources of information about how audience attitudes are formed.

To obtain this information, NAB consultant Crosby-Volmer Communications (CVC) will produce a content analysis of news articles about the transition to date in trade publications, financial media and general consumer media. CVC will also provide a content analysis of analyst reports, industry consultant reports and emerging market studies, and identify influential "experts" and opinion leaders among our audiences that the campaign can rely upon as surrogates. These analyses will confirm and/or expand the campaign's existing positioning and communications messages and provide a clearer picture of where potential news opportunities lie.

Analysis and Evaluation
Survey research will also be the baseline on which the DTV campaign evaluates its success. The campaign will commission survey research at nine months, 18 months and upon completion of the campaign to determine if significant numbers of the affected population are hearing the DTV message.

Part II: MEDIA

Elevating the stature and presence of the DTV transition in the media is another central goal of the consumer education campaign. Media outreach will include:

- A top-notch Web site that will serve as an information portal for the transition;
- A large-scale earned media campaign that first educates influential audiences and then consumers directly, with goals and benchmarks for media coverage of the transition;
- An operating speakers bureau in all 50 states for viral marketing;
- Paid media, including marketing and advertising;
- Public Service Announcements (PSAs), which will be the most visible and far-reaching component of the campaign.

Earned Media
It is a major role of communications to address the gap between the inside world's assumptions about the views, needs and motivations of the outside world, and the actual views, needs and motivations of that same outside world. This is crucial with the DTV transition – the information gap between broadcasters with engineering departments and consumers with antiquated antenna hookups is enormous.

Relationships with key audiences are crucial to our ability to operate freely and succeed. The DTV transition campaign will identify reporters, producers, Web sites and "new media" entities with an interest in the story, build relationships and become the definitive source for their information. The campaign will take full advantage of cyberspace by enhancing and leveraging Web sites as a communications tool, providing consumer education and establishing the Web site as an online media publicity tool. The campaign will institute a viral marketing effort that will include blogs, chat rooms, message boards, YouTube (and similar sites) and bylined articles. To address the high percentage of Spanish-speaking households utilizing OTA, the campaign's consultant, CVC, has hired an associate to deal specifically with Hispanic media.

Because media interest will grow as transition day approaches, the campaign's earned media plan will roll out in three phases – Phase I (January 2007 - February 17, 2008), Phase II (February 18, 2008 - November 9, 2008) and Phase III (November 10, 2008 - February 17, 2009). The first phase will see the launch of a new Web site, and will focus on educating influential audiences about the transition. The second phase will take the story to mainstream media (print, television and radio.) The third phase is the end-game sprint to make sure that every single demographic and market has been reached with the DTV transition message, and to help local broadcasters with potential crisis communications and how to react to the growing inquiries from media across the board.

The DTV campaign's media relations director will work to maximize positive media coverage of the transition by pitching stories, fielding media inquiries and thinking outside of the box to come up with new strategies to bring the transition story to

consumers. The media relations director will also track the campaign's successes and quantify its results.

Phase I (December 2006 - February 2008)
Since a significant amount of time remains until transition day and no converter boxes are available to be purchased by consumers, mainstream media are not yet focused on the DTV transition. Thus, there is little reason to begin a full-court press to consumers. The Phase I goal is to educate influential audiences and media about the topic of the DTV transition from today until one year from the DTV transition date (February 17, 2008).

Phase I will kick off with a press conference in Washington, D.C. to announce the formation of the campaign and the cooperation by diverse groups to form the DTV Transition Coalition, which will bring information to its members. The press conference will also trumpet the campaign's Web site as a clearinghouse of information on the DTV transition. The Web site will include information for all audiences: the simple message of transition as directed by the survey; talking points for NAB spokespeople, coalition partners and media; a white paper discussing the transition in depth; a legal backgrounder; and links to coalition partners and all other avenues for the project. The site will serve as a one-stop shopping venue for anyone interested in the DTV transition – consumers, journalists, congressional staff or anyone who wants to learn more about DTV and the transition campaign.

Once the Web site is launched, throughout 2007 the DTV transition campaign's director of media relations will begin educating the media and other audiences about the transition. The DTV transition campaign will create and distribute printed materials and press kits branded by the campaign.

Phase I will see DTV transition stories expansively pitched in technology, broadcasting and advertising trade publications; business magazines, newspapers and journals; government and political publications; and important Web sites and blogs. The campaign will also educate reporters and editors by scheduling editorial board meetings and desk-side briefings with each of America's 10 largest newspapers, as well as key weekly news magazines, cable news networks and broadcast news programs. The campaign will also explore other creative ideas, including convening a panel of experts on the topic, perhaps at a Washington, D.C. think tank for C-SPAN coverage and urging members of Congress to give a series of "special-order" speeches on the House floor on the importance of DTV preparation.

The campaign's media relations director will also contact the hundreds of reporters nationwide who have covered DTV in past years, to build the relationships necessary for pitching and placing Phase II stories.

Phase II (February 17, 2008-November 9, 2008)
Beginning one year from transition day, and extending through the din and clutter of the 2008 presidential and congressional elections, the second phase of earned media outreach

will focus on bringing the transition to consumers directly through mainstream media. Our goal is to have multiple stories on the transition placed in every market nationwide.

The launching pad for the DTV transition's Phase II efforts can be a "One Year Until Transition Day" press conference in Washington, D.C. with NAB and its coalition partners. The campaign's goal for this Phase II kickoff event is to gain nationwide visibility about the upcoming transition with stories in local newspapers through a variety of wire stories, as well as national broadcast and cable news coverage. Especially important in Phase II is a unity of message among coalition group members and government – especially the NTIA as its coupon program kicks into gear.

Phase II will focus on pitching and placing stories in local markets outside of Washington, with a special focus on markets untouched by wire stories and with multiple, unaffiliated newspapers. Because these stories will by necessity be more local in focus, the media relations director must coordinate with the coalition directors to pitch stories through the campaign's local television affiliates and/or local surrogates. And as the campaign has a natural advantage in placing DTV transition stories with local TV news affiliates, the director of media relations will have a special focus in the later stages of the second phase of making contacts with local news directors to place stories on the transition with a local bent. Here, the director of external relations will assist in bringing state broadcaster associations into play for news stories.

Phase III (November 10, 2008 - February 17, 2009)
The third phase of the earned media component is something of a sprint to the finish line, after the groundwork of the campaign has been laid by educating media and placing stories in national and local news sources. Like the last days of a political campaign, the candidate's groundwork will have been laid. While the campaign will be somewhat focused on pitching and placing stories, much of the earned media efforts will be in response to media inquiries once the transition is fully in gear.

The campaign will also focus on helping the campaign's surrogates and local broadcasters put out the inevitable transition crisis fires that will flare up from time to time, and reach out to local and national consumer electronic retailers to drive the transition message, both in their stores and through the news media.

Speakers Bureau
Word-of-mouth, viral marketing is another key to success in a broad-based consumer awareness campaign. To this end, the campaign will use local broadcasters and group owners to identify men and women inside and outside of their organizations to engage the public in local speaking engagements. The campaign will utilize local assets for speeches in nursing homes or schools, while using influential advocates identified by the DTV campaign or coalition partners for more visible national opportunities.

Each participating station will be urged to present at one speaking engagement per month in all three phases of the campaign, between June 2007 and February of 2009. An initial

goal for the nationwide speaking engagements is five per day nationwide in the second half of 2007, increasing to 10 per day in 2008.

Since coordinating a multi-state program with hundreds of speakers is a massive task, the DTV Speakers Bureau will be coordinated from the Washington, D.C. offices of NAB consultant Crosby-Volmer Communications. CVC will help identify the speakers, arrange and schedule the speaking engagements, and generate earned media coverage of the engagements through the dissemination of media advisories and releases. For evaluation purposes, CVC will also keep a running tally of engagements by stations and urge stations not to fall behind others in their markets. At the same time, the DTV campaign will present speakers with the materials and resources they need – from media kits to training videos – to make effective presentations in local communities.

Paid Media – Marketing and Advertising
A successful campaign will require strategies and tactics that capture attention and deliver the DTV transition message to targeted audiences. In addition to earned media outreach, the DTV transition campaign will employ creative marketing to bring its message directly to consumers.

Branding
Creating and establishing a DTV brand is essential for success, especially within the Phase I target of opinion-leading audiences. The campaign will unite not only the campaign's messaging, but also the colors, visuals, look and feel of campaign materials. The DTV transition campaign will unite the look of all materials – from the logo, to the Web site, media kits, advertisements and public service announcements.

Building the brand, and disseminating information with that brand, will also require raising visibility among the groups the campaign seeks to reach. In Phase I, the campaign will consider billboard advertising in areas trafficked by influential audiences and advertising near the U.S. Capitol and Wall Street in the subway systems. In later phases, the campaign will move to more traditional advertising to reach the most affected communities.

Public Service Announcements
The furthest reach of the campaign and the bulk of the DTV transition campaign's consumer contact will come from public service announcements (PSAs) aired by NAB's local television broadcasting affiliates, independent stations and broadcast networks. The DTV transition campaign will hire a creative agency, likely one from outside of Washington, by the close of 2007 to begin production of these PSAs.

With so little money allocated by the federal government to its agencies to fund consumer education efforts, these PSAs are the true currency of the DTV transition. With so much riding on them, there is little room for misstep in their production or distribution, as they will run with thousands of Gross Ratings Points behind them nationwide, both on network television nationally and by broadcasters locally.

These PSAs will be disseminated to local broadcasters to begin running after sweeps in June 2008 and through the end of the campaign. The spots will use messaging developed in the surveys and focus groups, and the DTV team will likely recruit iconic spokespeople from the groups disproportionately affected by the transition.

Point of Purchase Consumer Guides

Consumers will invariably go to local "experts" for information on the DTV transition – specifically consumer electronics retailers. The DTV Transition Coalition will work closely with members of the Consumer Electronics Association (CEA) and Consumer Electronics Retailers Coalition (CERC) to ensure that retailers such as Best Buy, Circuit City and Wal-Mart provide guides with on-message information about the transition for consumers.

Part III: EXTERNAL RELATIONS

Any campaign targeting the owners of nearly 70 million TV sets affected by the DTV transition must extend far beyond Washington, D.C. To be successful, the campaign must coordinate a large public and private partnership of organizations, associations and government policymakers with the shared goal of ensuring that the transition goes smoothly. The DTV transition campaign will proactively help build and coordinate a DTV Transition Coalition with support from trade associations, grassroots organizations, labor unions, business groups and policymakers – all of which have an interest in the transition. The campaign will specifically seek out organizations that have a veritable reach into local communities – from churches to grocers to shopping malls.

Through its directors of external relations and public affairs, the campaign will identify groups and organizations in Washington, D.C. and beyond that have a membership reach into local communities that will help bring the transition message to their members. The campaign will establish a strong relationship with interested members in Congress, spur the formation of a Congressional DTV Caucus and urge them to become partners and to use their microphones to spread the transition message locally.

The campaign will also liaison with the executive branch, including NTIA, to coordinate messages about the coupon program for digital-to-analog converter boxes, as well as the FCC .

At the state and local levels, the campaign will also recruit state and local policy makers who have a microphone to reach consumers in their communities, bring the most up-to-date campaign materials to state broadcaster associations and contact schools and teachers unions to bring the DTV transition to the classroom.

DTV Transition Coalition

The DTV Transition Coalition has begun meeting regularly, and the campaign will continue to meet with coalition members that have an interest in making sure the DTV transition runs smoothly. The coalition also includes a smaller "steering committee" of major stakeholders to guide the coalition's strategy.

Invitations to the DTV Transition Coalition will be handled by the campaign's directors of external relations and public affairs, with trade associations and business groups under the purview of external relations, and grassroots organizations for disproportionately affected demographic groups handled by the director of public affairs.

The campaign will work exhaustively to identify potential coalition partners in Washington, D.C. and beyond and systematically contact those groups with invitations to join. The campaign will create lists of contacts at these coalition member organizations and provide them with up-to-date research on the transition, the latest news and ideas for organization newsletters, and other avenues for consumer contact.

Groups invited to the coalition will include, but are not limited to, industry partners, trade associations, business organizations, grassroots organizations, as well as membership organizations – especially those representing groups most affected by the transition.

Government Outreach
Policymakers and elected officials have a strong interest in educating their constituents about the DTV transition, and the campaign will seek to educate legislators and policymakers at the federal, state and local levels.

The campaign's external relations and public affairs directors will make contacts and liaison with members of Congress and their staffs, the White House, Department of Commerce, FCC, NTIA, governors' offices, state legislators, county commissioners, city council members and school boards.

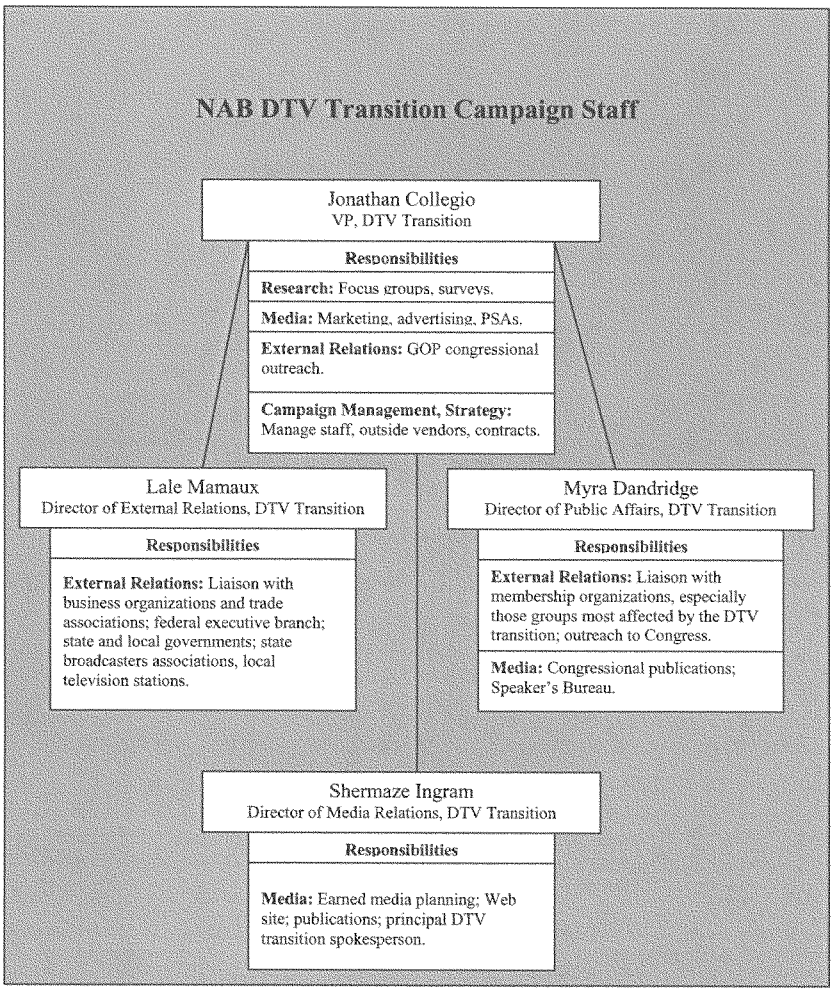
Importantly, as members of Congress have relatively large microphones with which to communicate with their constituents, the DTV transition campaign will push to create a Congressional DTV Caucus, comprised of members of both the House and Senate, with an aim toward educating consumers about the transition. A bipartisan caucus, the membership drive should initially focus on identifying potential members with high percentages of affected groups in their districts.

The campaign will strive to have a presence at annual state legislative and municipal conferences, such as those hosted by the National Conference of State Legislatures (NCSL), American Legislative Exchange Council (ALEC), National League of Cities and others. The campaign will also attempt, through teachers' unions and state departments of education, to bring the DTV message as an education tool to K-12 students. The campaign will send up-to-date materials to these officials out in the field and serve as the authority on all things DTV until transition day in 2009.

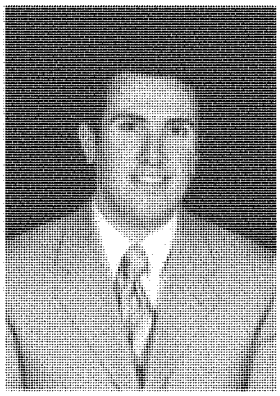
Broadcasters
Coalition members, local broadcasters and broadcast networks will play a huge role in providing the microphone through which the DTV message will be disseminated. The DTV transition campaign's external relations director will contact every state broadcast association, build relationships with those contacts and share ideas about how to best communicate the DTV message, including events in state capitals and cities across their respective states.

The DTV transition campaign will provide materials to local broadcasters, such as media kits and the other tools they need to bring the DTV message to local communities. Local broadcasters and state broadcast associations will be a crucial part of our Speaker's Bureau.

Appendix A
DTV Transition Campaign Workstreams



Appendix B
DTV Transition Staff Biographies



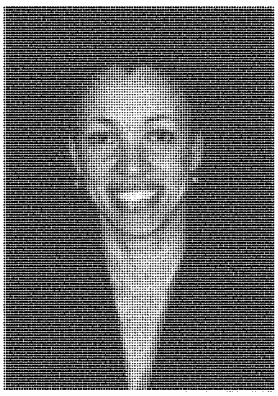
Jonathan Collegio
Vice President, Digital Television Transition
A native Oregonian, Jonathan Collegio is vice president of digital television transition at the National Association of Broadcasters in Washington, D.C., where he is managing a broad-based public affairs campaign to increase awareness of the federally mandated switch to digital broadcasting in February 2009.

Previous to his work at the NAB, Collegio was press secretary at the National Republican Congressional Committee (NRCC) in Washington, D.C., where he served as the committee's primary spokesman on over thirty congressional races. Previous to his post at the NRCC, Collegio served as deputy chief of staff for Congressman Patrick McHenry (R-N.C.), and communications director for the Goli Ameri for Congress campaign in 2004.

A campaign professional, Collegio has worked on dozens of campaigns at the local, state and federal level, including campaigns for the U.S. House and Senate, governor and local races. Collegio has appeared multiple times on CNN, CNNFN, CNBC, MSNBC, Fox News, NBC Nightly News and CBS Radio. He has written articles for and been quoted in *USA TODAY, The Washington Post, The Washington Times, The New York Times, The Wall Street Journal*, the Associated Press, *Business Week, Time, Newsweek, National Review* and various other publications.

Collegio earned his master's degree in public affairs and politics from Rutgers University in New Brunswick, New Jersey, where he was a graduate fellow at the Eagleton Institute of Politics. He also spent a year as associate producer at News 12 New Jersey, the largest television network in the state.

Collegio attended the University of Oregon from 1995-1999 and graduated *Phi Beta Kappa* with a bachelor of science in economics and political science. He also studied Spanish for a year at the American University of Acapulco in southern Mexico. A world traveler who has visited 41 countries on five continents, Collegio grew up in Jacksonville, Oregon and now resides in Arlington, Virginia.



Shermaze Ingram
Director of Media Relations, DTV Transition
Shermaze Ingram is director of media relations for NAB's digital television transition team where she manages earned media for the campaign. Ingram has an extensive background in media relations, including more than 10 years of experience as a print and broadcast journalist. She began her career in New York at *Consumer Reports* magazine, where she was awarded a writing fellowship and was later promoted to assistant editor, then editor of a department in the magazine on travel.

In 1995, she joined the award-winning PBS program The NewsHour with Jim Lehrer as a business and national affairs reporter, where she covered a wide range of important economic and political topics, including events in Congress. Ingram later became publicity manager for The NewsHour and MacNeil/Lehrer Productions, where she

managed media relations and public relations for the news program and its correspondents. She also managed publicity for many special prime-time broadcasts and documentaries produced by PBS and MacNeil/Lehrer Productions, including the live coverage of the 2004 political conventions and presidential election.

Prior to joining NAB, Ingram served as director of communications and events for Discovery Education, a division of Discovery Communications, Inc. Ingram earned a bachelor's degree in English Literature from Columbia University and a master's degree from the Columbia University Graduate School of Journalism.

Lale Mamaux
Director of External Relations, DTV Transition

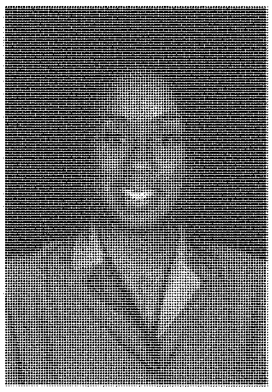
A veteran Capitol Hill aide, Lale Mamaux is director of external relations for NAB's digital television transition team, where she coordinates the large coalition of trade associations, business organizations and local broadcasters that have an interest in making sure the federally mandated digital television transition in February 2009 goes smoothly.

Mamaux previously worked as communications director for Congressman Robert Wexler (D-Fla.), where she managed all of the congressman's national and foreign media activities. In this capacity, she acted as the congressman's chief spokesperson, prepared his television, radio and press conference appearances, and drafted his statements and speeches. She worked with legislative staff on preparing Rep. Wexler for all press activities and coordinated with senior staff in developing messaging points. Mamaux also managed all press activities for the Congressional Caucus on Intellectual Property Promotion and Piracy Prevention, Taiwan Caucus and Turkey Caucus.

In addition, Mamaux worked as a press secretary in Florida for the John Kerry presidential campaign in 2004, and more recently she helped coordinate press for Congressman Tim Mahoney's 2006 congressional campaign.

Before coming to the Hill, Mamaux was deputy director of political affairs at Kimball Stroud & Associates, Inc. There, Mamaux had the opportunity to work with a variety of members of Congress and candidates, including Congressman Robert Wexler, Congressman Marion Berry, Congressman Baron Hill, former Congressman Max Sandlin, former Congressman Ronnie Shows as well as the former mayor of Dallas, Ron Kirk.

Mamaux has a master's degree in political science from American University in Washington, D.C. and a bachelor's degree in political science with a minor in women's studies from Mary Baldwin College in Staunton, Virginia.



Myra Dandridge
Director of Public Affairs, DTV Transition
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Before the
UNITED STATES DEPARTMENT OF COMMERCE
NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION
Washington, D.C. 20230

In the Matter of	)	Docket No. 060512129-6129-01
Implementation and Administration of a Coupon Program for Digital-to-Analog Converter Boxes	)	

COMMENTS OF THE
ASSOCIATION FOR MAXIMUM SERVICE TELEVISION,
CONSUMER ELECTRONICS ASSOCIATION, AND
NATIONAL ASSOCIATION OF BROADCASTERS

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EXECUTIVE SUMMARY

The Association for Maximum Service Television, the Consumer Electronics Association and the National Association of Broadcasters join together to support the NTIA digital-to-analog converter box program and to make certain recommendations with respect to the structure and workings of the program. The program is a vital piece in the strategy for optimizing the digital transition because its purpose and effect is and should be to leave no viewer behind.

These Joint Industry Commenters believe that implementation of NTIA's converter box program should be guided by the following five principles:

- continued consumer access to broadcast television,
- availability of high-quality, easy-to-use, low-cost digital converter boxes,
- simplicity and clarity,
- fairness and prevention of waste and abuse, and
- industry cooperation to serve the consumer.

With respect to the issue of consumer participation in the program, the Act, its legislative history, its underlying purpose and the plain meaning of its language, as well as practical considerations, preclude any implementation of the program that would exclude from coupon-eligibility analog sets in cable or satellite-served homes that are not connected to those services. For the same reasons, consumer eligibility should not be delimited by a means test. And consistent with the language and intent of the statute, NTIA should adopt a first-come, first-served process for distributing coupons.

Given the special circumstances of this project, NTIA should also adopt technical requirements, including minimum performance requirements, for digital converter box eligibility. The MSTV/NAB digital converter box project demonstrated that converters can be high quality, low cost and easy for consumers to use. CEA, NAB and MSTV here propose specific requirements that are attached in Appendix A to these comments. They grow out of ATSC's A/74 Recommended Practice on Receiver Performance Guidelines established over two years ago. But there have been ongoing improvements since then that enable NTIA now to set reasonable requirements exceeding A/74 performance levels in some areas and fill in some requirements for performance levels where ATSC A/74 only specified test procedures. These minimum performance requirements reflect the consensus of the broadcast and consumer electronics industries for the specific purpose of the narrowly-tailored NTIA program.

The minimum requirements that NTIA adopts to ensure consumers' ability effectively to receive broadcast signals should not preclude converter box features that improve over-the-air reception or enhance the usability or user convenience of the converter box. Accordingly, eligibility should not be precluded by inclusion in a converter box of an electronic

program guide or a smart antenna interface. Consumers expect the former as part of the contemporary everyday viewing experience, and smart antennas are useful in various circumstances to assure reliable service.

As for energy standards, the NTIA should be prepared to review and, as appropriate, adopt the specifications being worked on under EPA's Energy Star program through joint industry and government collaboration. It should stand firm against the efforts of any individual state to impose its own specifications.

Balancing the need for timeliness with the need to protect consumers from faulty devices, NTIA should direct manufacturers to test their own products and transmit the results to the FCC (the agency expert in such matters). The FCC should then review those results in an expedited manner, with the power to interdict defective or below-standard devices.

Finally, consumer electronics equipment manufacturers and the broadcast industry will fully support and implement consumer education programs. The retail industry, which has much experience in coupon and similar programs, will also have an important role in making a success of this critical program aimed at facilitating the transition, compensating and otherwise accommodating analog-only set owners whose analog receivers will no longer receive over-the-air broadcasts after February 17, 2009 and assuring continuity of free, universal and local broadcast service.

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APPENDIX A: Recommendation of CEA, MSTV and NAB for Functional and Performance Requirements for a Digital-to-Analog Converter Box To Be Eligible for NTIA's Coupon Program Pursuant to the Digital Television Transition and Public Safety Act of 2005

Before the
UNITED STATES DEPARTMENT OF COMMERCE
NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION
Washington, D.C. 20230

In the Matter of	)	Docket No. 060512129-6129-01
Implementation and Administration of a Coupon Program for Digital-to-Analog Converter Boxes	)	

COMMENTS OF THE
ASSOCIATION FOR MAXIMUM SERVICE TELEVISION,
CONSUMER ELECTRONICS ASSOCIATION, AND
NATIONAL ASSOCIATION OF BROADCASTERS

In a unique collaboration to support the important needs of consumers during the digital television transition, The Association for Maximum Service Television, Inc. ("MSTV"),[1] the Consumer Electronics Association ("CEA")[2] and the National Association of Broadcasters ("NAB")[3] (collectively, the "Joint Industry Commenters") have joined together to comment on

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[1] MSTV is the non-profit trade association representing local broadcast television stations committed to preserving the technical integrity of the public's broadcast television service.

[2] CEA is the principal trade association promoting growth in the consumer technology industry through technology policy, events, research, promotion and the fostering of business and strategic relationships. CEA represents more than 2,100 corporate members involved in the design, development, manufacturing, distribution and integration of audio, video, mobile electronics, wireless and landline communications, information technology, home networking, multimedia and accessory products, as well as related services that are sold through consumer channels.

[3] NAB is a nonprofit trade association that advocates on behalf of more than 8,300 free, local radio and television stations and also broadcast networks before Congress, the Federal Communications Commission and the Courts.

the issues raised in NTIA's Notice of Proposed Rulemaking[4] on the digital television converter box program that Congress created in the Digital Television Transition and Public Safety Act of 2005.[5] CEA, MSTV and NAB, on behalf of their members, also pledge their strong support for this important program that NTIA is charged with implementing.

As NTIA is aware, these trade associations representing local broadcasters and consumer electronics manufacturers have not always reached consensus on public policy issues related to the digital television transition. However, with a common interest in the successful transition to all-digital television broadcasting in February 2009, NAB, CEA and MSTV have come together to present a consensus position on NTIA's converter box program.

NAB and MSTV, in collaboration with equipment manufacturers, worked with Congress to establish a converter box program that would protect the rights of all Americans to receive free, over-the-air television service after the transition. NTIA's decisions in implementing the program should be, at their core, consumer-focused. The digital television transition is the single most significant conversion in the history of broadcast television, and it promises to bring important and long-awaited benefits to the American public. In implementing the converter box program, NTIA must ensure that no consumer is left behind.

I. GUIDING PRINCIPLES

The Joint Industry Commenters share the common goal of facilitating our nation's transition to digital television, the success of which is critical to consumers, as well as to the

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[4] *Implementation and Administration of a Coupon Program for Digital-to-Analog Converter Boxes*, Notice of Proposed Rulemaking & Request for Comment, 71 Fed. Reg. 42067 (2006) ("NPRM").

[5] Deficit Reduction Act of 2005, Title III, Pub. L. 109-171, 120 Stat. 4 (Feb. 8, 2006) ("Act").

consumer electronics and television broadcast industries. Together with the cable and satellite industries and the government, our industries have the largest responsibilities with respect to making the transition a success. The transition is revolutionizing the broadcast television service by enabling stations to offer consumers new program choices, high-quality video, and audio, and advanced features at no cost to the public, and at the same time making available additional spectrum for public safety and other innovative uses. The converter box program is an important component of the success of the digital conversion for the American consumer.

NTIA's converter box program should be guided by the following core principles:

- *Continued Consumer Access to the Broadcast Service.* When Congress adopted the Act, it was concerned that the digital transition, for all its public interest potential, also could disenfranchise tens of millions of analog over-the-air television viewers. The converter box program was Congress' response to that concern. Therefore, NTIA's administration of the program must effectively ensure continuity of service to analog television sets. Consumers have a large investment in analog-only receivers that will be rendered unusable for broadcast television reception and users of those sets will be deprived of service unless they take advantage of the converter box program.[6] This is not a subsidy program; it is a consumer reimbursement program. After all, even with a substantial amount of the reclaimed spectrum being turned over to public safety, the government will reap billions of dollars through spectrum auctions made possible by the digital transition.

- *Availability of High Quality, Easy-to-Use, Low-Cost Converter Boxes.* During the legislative debate, much emphasis was placed on ensuring that consumers' out-of-pocket costs to obtain a digital converter box would be minimized, thereby removing economic barriers to completing the DTV transition. It is equally important that the converter boxes work properly in the myriad of installation configurations in which they will be placed, and that they will be as intuitive and easy to understand as the analog television receivers to

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[6] Alternatively, they could replace all their analog-only sets with integrated digital receivers or subscribe to a pay programming service, which may or may not carry all of the broadcast services that would be available to the consumer for free, over the air. Neither of these options should be required.

which they will be interfacing. The NTIA program must equally support all three goals: high quality, ease of use, and low cost.

- *Simplicity and Clarity*. The converter box program is a large-scale and, in many respects, unprecedented program, involving detailed technical issues, complicated administrative implementation, and various participants – consumers, retailers, manufacturers, and broadcasters across the country. To be effective despite its breadth and technical and logistical complexity, NTIA's administration of the program must strive for simplicity. For consumers and others involved, the program must also be easy to understand and follow.

- *Fairness and Prevention of Waste and Abuse*. In order to be successful, the converter box program must also promote fairness and efficiency. It should be structured to facilitate equitable distribution of coupons to all Americans with analog televisions that depend on over-the-air broadcasts. The program should also be structured to prevent abuses and waste and deter fraudulent attempts to obtain program benefits.

- *Cooperation*. The government, broadcasters, manufacturers, and retailers must each contribute to the above goals by providing consumers with the tools and information necessary to make effective use of the converter box program.

Undoubtedly, there will be challenges in implementing the converter box program, particularly because it will involve millions of consumers, tens of millions of analog sets, thousands of retail outlets, various converter box manufacturers and 1,600 broadcast stations. The broadcast and consumer electronics industries are pleased to support this program and offer the following suggestions to optimize its consumer utility and effectiveness.

II. THE BASIC PARAMETERS FOR CONSUMER PARTICIPATION IN THE PROGRAM

The most fundamental decisions about the converter box program were made by Congress when it enacted the Digital Television Transition and Public Safety Act of 2005. The statute allocates up to $1.5 billion to reimburse consumers for purchasing digital-to-analog

converter boxes in order to avoid loss of free, over-the-air television service.[7] It details the number of coupons to be made available per household, the manner in which the coupons are to be redeemed, and the expiration date of the coupons.[8] Nevertheless, as detailed in the Notice, there remain important questions concerning the administration of the program.[9] These comments address those questions.

A. Eligibility Requirements

1. Proposal to exclude cable and satellite households

In detailing the procedures that NTIA should use to administer the converter box program, the Act uses the inclusive term "households" to identify who is eligible to participate in it.[10] Congress adopted this inclusive language to ensure that ***all*** Americans will continue to have access to the rich programming and critical local and national information provided by America's broadcasters. NTIA's NPRM, however, proposes to narrowly define "households" so as to exclude the millions of American consumers who subscribe to cable, satellite or other MVPD[11] services but who also rely on analog-only sets that are not connected to these services.

Statutory Mandate. This constricted definition of "households" is inconsistent with the Act, and it would impermissibly prevent millions of Americans from obtaining benefits

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7 Act at §§ 3005(c)(2)(B), 3005(c)(3).

8 *Id.* at § 3005(c).

9 *See* H.R. Rep. 109-362 at 202 (Dec. 19, 2005) (Conf. Rep.) (listing the specific questions that Congress directed NTIA to resolve in this rulemaking).

10 Act at § 3005(a)(1) (specifying that NTIA shall "implement and administer a program through which households in the United States may obtain coupons that can be applied toward the purchase of digital-to-analog converter boxes").

11 An "MVPD," or "multichannel video programming distributor," is "an entity engaged in the business of making available for purchase, by subscribers or customers, multiple channels of video programming." 47 C.F.R. § 76.1300(d). Cable and satellite are the major MVPD service providers, with telecommunications providers newly entering the market.

which Congress has provided to them. When Congress wanted to limit eligibility for the program, or the benefits available under it, it did so explicitly. Congress defined the eligible set-top boxes in a manner that precludes cable or satellite set-top boxes from being included in the program.[12] It also specified in the Act that NTIA "shall ensure that each requesting household receives . . . no more than two coupons."[13] If Congress intended to exclude second and third over-the-air analog sets in cable and satellite homes, then it could have used a term other than "household" to describe those eligible for the program, or it could have qualified the term "household." But Congress took neither of these steps.

It is well-established that, when a statutory design is clear and unambiguous, there is no room for interpretation.[14] Congress established specific limitations on certain aspects of the program, but, critically, it provided no limitation at all on the "households" eligible for the program; nor did it give NTIA authority to adopt any such limitation. It is impossible to read the statutory term "households," either on its own or with reference to the rest of this section of the Act, to mean "households that exclusively rely on over-the-air broadcasts." NTIA's proposed interpretation is, accordingly, not authorized by the statute. Under widely acknowledged principles of statutory construction, that is where the analysis must end.[15]

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[12] Act at § 3005(d).

[13] Act at § 3005(c)(1)(A). The Act also specifies that the two coupons cannot be used in combination and that coupons should expire three months after they are issued. *Id.* at §§ 3005(c)(1)(B)-(C).

[14] *See, e.g.*, *BedRoc Ltd. v. United States*, 541 U.S. 176, 187 n.8 (2004) (plurality op.) (quoting *United States v. Fisher*, 2 Cranch 358, 399 (1805)) (applying the longstanding rule that, "[w]here a law is plain and unambiguous, whether it be expressed in general or limited terms, the legislature should be intended to mean what they have plainly expressed, and consequently no room is left for construction").

[15] *See id.* at 183 ("[O]ur inquiry begins with the statutory text, and ends there as well if the text is unambiguous.").

The legislative history also leads to the same conclusion. The Conference Report cited in the NPRM explains that the purpose of the converter box is "[t]o help *consumers* who wish to continue receiving broadcast programming over the air using *analog-only televisions* not connected to cable or satellite service."[16] The Conference Report is clear that the Act's purpose is to help "consumers," *without limitation*, and to make the program's benefits available for "analog-only televisions not connected to cable or satellite service." Without justification, the NPRM interprets the Conference Report as if it stated, instead, that the benefits would be available only to "consumers who *only* own analog televisions not connected to cable or satellite service." Thus, the portion of the Conference Report cited by the NPRM rebuts, rather than supports, NTIA's proposed eligibility limitations.

Likewise, the NPRM quotes the Conference Report's observation that many consumers already have cable or satellite service and so "[o]nly consumers relying on over-the-air broadcasts should need to participate in the . . . program."[17] The NPRM would read the word "exclusively" into that sentence where it does not exist, and would ignore the Report's subsequent clarification that the drafters made this observation in support of their decision to "structure . . . the program [in a manner that] takes into account that many consumers will neither need nor want a subsidized converter box," and avoids "impulse participation" by requiring consumers to apply for program coupons.[18] Nothing in that analysis disqualifies households that receive cable or satellite service. To the contrary, it contemplates that participation will be open

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[16] Conf. Rep. at 201 (emphasis added).

[17] *Id.* Moreover, many cable and satellite subscribers, through second and third sets not hooked up to cable or satellite, "rely on over-the-air broadcasts," particularly in times of emergency when cable and satellite services are disabled.

[18] *Id.* at 202.

to such households, but concludes that an application process is preferable to a program in which "coupons were automatically sent to every U.S. household,"[19] because consumers should make their own considered decision whether a subsidized set-top box best suits their needs before applying for a coupon under the program.

NTIA's interpretation of "household" is similarly contrary to common parlance and television industry usage. Nielsen uses the term "households" to mean "[a]n occupied housing unit" or "[a]n individual or group of individuals occupying a house, apartment, group of rooms, or single room.[20] The FCC ranks markets by Nielsen-defined "households." Other FCC rules use the same term. In all of these usages, the term includes cable and satellite households. We know of no precedent for construing the general term "household" to exclude cable and satellite households.

Practical and Emergency Purposes. It is well recognized that, in many households, more than one set is in use at any particular time. This is true, for example, for the many multi-generational families in the United States, in which grandparents, parents, and children live together under one roof. Under these circumstances, family members often live in separate living quarters or rooms within the house and rely on over-the-air television reception, even while the television in the main family room is connected to cable or satellite service. Under NTIA's narrow construction of the Act, these family members would not be eligible to obtain converter box coupons. In addition, lower-income households may consist of more than

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19 *Id.*

20 Nielsen Media Research, "Glossary of Media Terms & Acronyms," *available at* http://www.nielsenmedia.com/nc/nmr_portal/t27/glossary.jsp?site=Public.

one family, each of which might own an analog television. In other households, some may wish to watch English-speaking programs, while others rely on multicultural programming.

These users should not be disenfranchised, whether they are viewing in a home where the first set is an over-the-air analog set or a set served by a MVPD. Also, in terms of consumers' investments, it is clearly inequitable to compensate for some sets being rendered incapable of receiving over-the-air broadcasts (in exclusively over-the-air homes) but not others (in cable or satellite households where only one set is served by cable or satellite).

The importance of communications about national emergencies and homeland security matters is another reason for not unduly constricting eligibility. In emergencies like the hurricanes and floods of the last few years, broadcast stations have often been the only mass medium that has remained operational and, therefore, over-the-air television service has been the only source of emergency news and information. Concerns about homeland security in times of local or national emergencies necessitate that second and third sets in cable and satellite homes be equipped with converters to permit continued reception of over-the-air broadcasts.

Nor can NTIA limit eligibility based on the goal of saving money. That was not among the goals established by the legislation, and in any event it is addressed by Congress' decision to limit the funds set aside for the program and the number of coupons per household. NTIA observes that "market-based solutions" will limit the burden on the funds allocated to the converter box program.[21] NTIA apparently is referring to the fact that some consumers will purchase digital sets or subscribe to MVPD services. Of course, the Joint Industry Commenters hope that consumers will buy digital television sets in order to enjoy the advanced features and

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[21] *Id.*

services of digital television.[22] But nowhere did Congress suggest that the program should be construed narrowly in order to drive consumers to buy digital sets or subscribe to MVPD services.

Administrative Burdens and Privacy Concerns. Even if a decision to limit eligibility to over-the-air-only households were not precluded by the statute and contrary to Congressional intent, it would be administratively difficult or altogether unworkable and would undermine NTIA's efforts to implement this critical program. It is not clear how NTIA could police whether or not a particular applicant, in fact, receives cable or satellite service. Such an endeavor might entail intrusion into and surveillance of subscribers' records nationwide, thereby raising serious privacy concerns. In the context of a program whose dominant purpose is to ensure that Americans are not disenfranchised by the digital transition, this process would seriously tax the agency's resources, delay putting boxes in consumers' hands, and lead to unwarranted complexities and administrative costs.

2. Economic need

The NPRM also inquires whether NTIA should establish a standard for economic need as a criterion for program eligibility.[23] The Act includes various restrictions on the use of the coupons,[24] but it does not provide for means-testing. The Conference Report specified where it expected NTIA to adopt regulations concerning application forms, redemption and reimbursement, converter box specification and certification, education efforts, and appeal

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22 In fact, the FCC requires that all television sets with analog-only tuners include digital tuners as of March 2007. *See* 47 C.F.R. § 15.117.

23 NPRM at 42068.

24 *See* n.13, *supra.*

procedures.[25] Not included in this list was any flexibility for NTIA to impose restrictions on the economic status of households eligible for the program, and the statute itself provides no basis for such a limitation. Congress demonstrated that it knew how to limit the scope of the program when it wished to (e.g., up to two coupons per household). When it came to the issue of means testing, it chose not to.

Many of the same reasons that refute NTIA's ability to limit the coupons to exclusively over-the-air households also refute its ability to limit the program to certain Americans according to a threshold income test. In addition to the language of the statute, this unnaturally-constrained implementation of the Act would undercut the goal of viewing continuity, would confiscate consumer investment in analog receivers without due reimbursement, and would create artificial incentives for consumers to subscribe to cable, satellite, or other MVPD services. It would also undermine the ability of over-the-air television in times of emergency to reach all of the public and would force NTIA to undertake burdensome administrative processes that would distract from the agency's core efforts to administer the program.

3. Priority

NTIA properly proposed distributing coupons on a first-come, first-served basis.[26] The Joint Industry Commenters support this proposal, since Congress intended to make the converter box program available to all American households with analog sets not connected to subscription services. It did not include in the statute any basis for distinguishing among applicants or give NTIA authority to put certain applications ahead of others. Accordingly, a

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[25] Conf. Rep. at 202.

[26] NPRM at 42068.

first-come, first-served program should be adopted as the fairest, least burdensome, most expeditious, and simplest way to distribute the coupons.

B. Technical Requirements

As part of its mandate to NTIA, Congress necessarily distinguished between those digital-to-analog converter boxes that are eligible for the coupons and those that are not. Implicit in this distinction is the need to establish requirements for converter boxes to be eligible for program funding. The Joint Industry Commenters agree that this is a unique situation. Because of the resources it has dedicated to the program, and to the digital transition at large, the government has a vested interest in ensuring that, to the maximum extent possible, digital-to-analog converter boxes distributed to consumers as a part of the program work well in the practical circumstances of consumers' homes. The entire program, as well as the transition, could be delayed significantly if consumers reject the converter boxes due to quality, usability, and performance issues. Under these special circumstances, CEA, MSTV and NAB agree that NTIA should adopt minimum performance requirements to protect consumers from poorly functioning devices. Their recommendation for minimum functional and performance requirements for converter boxes is specified in Appendix A.

1. MSTV/NAB converter box program

NAB and MSTV have been particularly concerned with proving the practicality of digital converter boxes achieving high performance without sacrificing cost effectiveness. To respond to the need for effective digital converters to avoid wrenching viewer disenfranchisement as a result of the cessation of analog transmissions in February 2009, in June 2005 MSTV and NAB sought proposals from electronics manufacturers to develop a prototype digital converter box that would achieve high quality, low cost and enhanced ease of use. These goals were quantified in detail in the Request For Quote issued by MSTV and NAB in mid 2005.

After a thorough evaluation process, NAB and MSTV awarded contracts to LG Electronics/Zenith and Thomson/RCA in the fall of 2005. These companies' completed digital converter boxes underwent laboratory and real-world testing during 2006. The results of the MSTV/NAB converter box project demonstrate several points. First, the technical specifications described in Appendix A are clearly achievable in practical products designed to be amenable to production in mass manufacturing quantities. Further, the project results provide tangible evidence that a high-quality, low-cost converter box can be built with measured performance that exceeds the levels specified in the ATSC A/74 Recommended Practice on Receiver Performance in several important areas and consequently can provide reliable reception under a variety of real-world conditions.[27]

2. Device eligibility requirements

The Act requires that converter boxes eligible for coupons under the program include those features "necessary to enable a consumer to convert any [digital television] channel . . . into a format that the consumer can display on [analog] television receivers. . . ."[28] Consistent with this directive, the NPRM lists six functional requirements for program-compliant converter boxes:

(a) Appropriately processes all ATSC radio frequency (RF) signals provided to the antenna-only input and then provides output signals in standard definition video for display on an NTSC television receiver/monitor;

(b) Delivers NTSC composite video and stereo audio to drive NTSC monitors;

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[27] The range of measured performance results for the prototype converter boxes developed by Thomson and LG, compared with A/74 levels, are available on the MSTV website at http://www.mstv.org/docs/MSTVNAB%20prototypes%20performance.pdf.

[28] Act at § 3005(d).

(c) Delivers Channel 3 or 4 switchable (NTSC) RF output for television receivers;

(d) Complies with FCC requirements for Closed Captioned, Emergency Alert (EAS) and the required parental controls;

(e) Operable by and includes a remote control; and

(f) Tunes to all television channels 2-69.[29]

The Joint Industry Commenters agree that these six requirements should be mandatory for program-compliant boxes. With respect to closed captioning, emergency alert system (EAS), and parental controls, as NTIA's NPRM observes, there are existing FCC requirements.[30] Those FCC rules, as currently written, also apply to digital converter boxes. Therefore, NTIA need not and should not promulgate separate rules with respect to these issues.

The NPRM also states that NTIA will take into consideration the cost of the converter box as well as the ease of installation and operation, and proposes to adopt the ATSC Recommended Practice on Receiver Performance Guidelines (ATSC doc. A/74). [31] The Joint Commenters agree that minimum technical performance metrics are necessary in this narrowly tailored program.[32] However, as an industry developed Recommended Practice, A/74 is not written in a format that can be used directly to set eligibility thresholds.

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29 NPRM at 42070.

30 *Id.*

31 *Id.*

32 The development of ATSC A/74 took a full year and was the result of a collaborative effort of broadcasters, consumer electronics manufacturers, semiconductor manufacturers, and other stakeholders. Begun in mid 2003, A/74 was adopted as a Recommended Practice by the Advanced Television Systems Committee in June 2004. A/74 encompasses performance guidelines in areas including receiver sensitivity, immunity from interfering signals and multipath rejection.

It has also been more than two years since A/74 was published by ATSC. During that period, significant progress has been made; the practicality of achieving A/74 performance levels has been proven in the marketplace; the state-of-the-art has moved forward significantly in some important receiver performance areas; and market-driven performance level expectations have had a chance to develop in the receiver performance areas where A/74 only specifies test procedures and does not specify target performance levels.

With the historical context of A/74, the practical evidence of current industry practice, and the results of the NAB/MSTV digital converter project in mind, the Joint Industry Commenters submit at Appendix A a recommendation for minimum functional and performance requirements for NTIA program-compliant digital converter boxes. These minimum technical requirements will assure that consumers can obtain devices that will provide reliable access to digital television content delivered over-the-air under reasonably challenging reception conditions. The recommended minimum performance requirements in Appendix A take into account measured performance levels achieved in the NAB/MSTV digital converter box program, and reflect the consensus of the broadcast and consumer electronics industries for the specific purpose of the NTIA program.

3. Features

The minimum requirements that NTIA adopts to ensure consumers' ability to effectively receive broadcast signals should not preclude features that improve or enhance the over-the-air digital television viewing experience. Any converter box feature that improves over-the-air reception or enhances the usability or user convenience of the converter box for accessing over-the-air television signals should be allowed within the scope of the NTIA eligibility criteria. As a particular example of this principle, NTIA should avoid overly restrictive rules because they would have the unintended effect of increasing, rather than decreasing, the

costs of the digital to analog converter box by preventing manufacturers from using components that have already been designed and are compliant with generally accepted industry standards. In other words, NTIA's specifications should produce a low-cost converter box consistent with statutory requirements, but overly restrictive rules on functionality of the boxes should be avoided because they may have the unintended consequence of increasing the cost of the box to consumers.

In this regard, certain converter box characteristics and capabilities may extend beyond minimum requirements – that is, NTIA need not require their inclusion – but should not disqualify a device. Various digital television features, such as electronic program guides and the display of PSIP data, are included in a number of the DTV chipsets that have already been developed for mass market use. Because the development work has already been done, including these features in new converter boxes would involve a negligible cost to the manufacturer. In contrast, if the manufacturer were required to disable or delete these features in order to comply with NTIA requirements, there would be a substantial development cost, which would necessarily increase the cost of the devices. In addition to permitting development and manufacturing efficiencies that will lead to lower cost, features in this category would improve consumers' ability to receive or convert a digital signal into a format that can be displayed on an analog television. We highlight here two functions in particular that should not disqualify a converter box. Other features associated with better or more convenient access to over-the-air digital television broadcasts should be treated similarly by NTIA for the purpose of program eligibility.

Electronic Program Guides – A particularly compelling function that should not be excluded is found in the case of electronic program guides. The FCC's requirement that

broadcasters transmit PSIP data – including program content details – in their digital signals,[33] as manifested by the FCC's adoption of the ATSC A/65 standard as mandatory for broadcasters, is premised on the FCC's conviction that a mechanism for locating digital channels and program content, including multicast channels, is an integral feature of the digital television experience. Digital converter box manufacturers will be subject to powerful, market-based, consumer-driven pressures to offer devices that include electronic program guides displaying PSIP or third-party program data intended to improve the user experience and facilitate access to digital broadcast programming delivered over-the-air.[34] Assuring that devices that process and display electronic program guides are eligible for coupons may increase consumer demand and, therefore, decrease prices as well as being consistent with fulfilling the program's purposes.

Smart Antenna Interfaces – As NTIA notes, reception of digital signals can vary based on a variety of factors, including a household's location.[35] For this reason, it is also important that manufacturers have latitude, without losing coupon eligibility, to include in their devices the circuitry and connectors associated with the so-called "smart antenna interface" (as defined by the CEA-909 Antenna Control Interface standard).[36] Inclusion of this antenna control interface, when coupled with an appropriate receiving antenna, will promote enhanced viewer access to digital broadcast signals, fuller and more meaningful participation in the converter box

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[33] *See* 47 C.F.R. § 73.682.

[34] Broadcasters and manufacturers have participated cooperatively in developing the capability for practical PSIP-based services. In accordance with implementing PSIP as specified in ATSC's A/65 PSIP standard, ATSC published its A/69 PSIP Recommended Practice for Broadcasters in June 2002 . This document makes recommendations on the type, amount and frequency of transmission for PSIP data included in broadcast transmissions.

[35] NPRM at 42069.

[36] An abstract of CEA-909 is available at http://www.ce.org/Standards/StandardDetails.aspx?Id=1418&number=CEA-909.

program, and a more effective digital transition for a large number of receivers in the United States. For example, in many markets, stations' transmitters are located on different sides of the population center due to separation requirements or other practical considerations outside their control. This can impede consumers' ability to receive digital signals because the antenna must be oriented in two or more different directions to receive all of these signals. Because the smart antenna interface allows automatic electronic steering and signal level control of a "smart antenna" so as to achieve best reception on a channel-by channel basis, consumers should have the flexibility to obtain converter boxes that can interface with smart antennas when they are needed. To ensure that recipients of program coupons receive all of the over-the-air digital signals that serve their communities, manufacturers should be allowed to offer program-compliant converter boxes that include an antenna control interface.

4. Energy standards

The NPRM also inquires whether NTIA should include energy considerations in its performance standards. NTIA's converter box program is a national, Congressionally authorized program, and it should accordingly incorporate a federal energy standard that is uniform and nationwide. In this regard, the Environmental Protection Agency is developing specifications for a converter box Energy Star[37] program. In its converter box Energy Star

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[37] Energy Star (www.energystar.gov) is a voluntary, market-driven and national government-industry partnership which creates specifications, including a labeling program, for energy efficient consumer products, including a broad range of consumer electronics. The Energy Star program benefits from strong participation by manufacturers, is well-recognized by consumers, and offers a competitive incentive for energy savings. Energy Star has been a very successful initiative for addressing energy consumption for the consumer electronics industry, and, according to EPA's most recent annual report, the Energy Star program for home electronics and office equipment has saved 41.2 billion kWh of energy and prevented greenhouse gas emissions totaling 8.3 million metric tons of carbon equivalent. Environmental Protection Agency, "Investing in Our Future: ENERGY STAR and Other Voluntary Programs 2004 Annual (continued...)

program, EPA is expected to rely on CEA's standards for measurement of set-top box energy consumption, CEA-2013.[38] The Joint Industry Commenters strongly support the development of an Energy Star program as the correct approach for addressing converter box energy consumption concerns, and they encourage NTIA to defer to the process commenced by EPA to establish Energy Star standards for converter boxes.

Consumers have come to know and trust the Energy Star label in making electronics purchases, with almost two-thirds of consumers recognizing the Energy Star logo.[39] Notably, the EPA's Energy Star initiative:

- represents an established and successful government-industry partnership at the national level;
- involves a wide range of industry and government stakeholders;
- focuses on the active and standby energy use of converter boxes;
- will cover 100% of the market for converter boxes; and
- is scheduled for fast-track completion by the end of 2006.

In contrast, state-by-state regulation of converter box energy use would jeopardize the nation's transition to digital television and would seriously interfere with effective NTIA

Report," at 11 (Oct. 4, 2005), *available at* http://www.energystar.gov/ia/news/downloads/annual_report2004.pdf.

[38] CEA-2013 is a voluntary industry standard that addresses, among other things, the measurement of power consumption of digital-to-analog converters in the OFF [or standby] state. Currently, development is under way within the CEA standards activities to develop the measurement of power consumption of digital-to-analog converters in the ON state. This work is targeted for completion before the end of this year. An abstract of CEA-2013 is available at http://www.ce.org/Standards/StandardDetails.aspx?Id=1418&number=CEA-2013.

[39] Public awareness of Energy Star has jumped to 64 percent of U.S. households, according to a nationwide survey released by the U.S. Environmental Protection Agency on February 23, 2005. Environmental Protection Agency, "National Awareness of Energy Star for 2004: Analysis of CEE Household Survey," at 4 (Feb. 23, 2005), *available at* http://www.energystar.gov/ia/news/downloads/awareness_survey_2005.pdf.

administration of the converter box program.[40] State regulation would also unnecessarily burden the process and could deter the development of effective converter boxes and almost certainly would increase prices.[41] CEA and its members have opposed state regulation of converter boxes, and it has also urged state officials to participate directly in two national initiatives already underway which address converter box energy consumption.

A national standard for converter box energy use would permit consumers to rely on the energy efficiency of the equipment that they purchase through the program. It would also permit manufacturing and engineering efficiencies that would avoid the need for costly re-engineering of converter boxes to meet state-by-state requirements. Such state requirements, in any case, would inappropriately interfere with the nation's DTV transition and the market for converter boxes, as well as threaten the success of the Energy Star program itself. Accordingly, NTIA should defer to the converter box standards under development through the EPA's Energy Star program.

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[40] For example, as NTIA is aware, the California Energy Commission has promulgated a regulation setting a mandatory standard for the energy consumption of converter boxes, defined as "a commercially-available electronic product for which the sole purpose is the conversion of digital video terrestrial broadcast signals to analog NTSC video signals for use by a TV or VCR." The regulation limits converter boxes to eight watts in active mode and one watt in standby mode. Eight other states have decided not to regulate converter boxes, while one state, New York, is considering converter box regulations.

[41] Several groups have expressed concerns to local and national policy makers about the detrimental impact of California's converter box regulation on consumers and business. *See, e.g.*, CEA & NAB, "California's New Energy Consumption Regulation for Digital TV Adapters Threatens to Leave Millions of Californians in the Dark," Press Release, *available at* http://www.nab.org/newsroom/PressRel/Releases/041106_NAB_CEA_Converters.htm (Apr. 11, 2006) (describing the California Energy Commission's proposal to set energy consumption limits on converters at 8 watts powered up and 1 watt in standby).

C. Conformity Assessment Process

The NPRM seeks comment on "whether there are existing industry or government organizations engaged in activities that can help speed the development of testing/certification processes. . . ."[42] Rather than developing a new and untested conformity assessment program, the Joint Industry Commenters urge that NTIA leverage the existing resources of the FCC, the longstanding expert agency in this area, to conduct an efficient and accurate conformity assessment process.

Specifically, NTIA should adopt a "verification plus" process, based on the FCC's present, well-established and well-understood verification procedures.[43] Under these procedures, manufacturers would be responsible for conducting compliance testing at their own facilities or through an independent laboratory contracted by the manufacturer. This process would ensure efficiency and avoid delays that would occur if the FCC or any other third-party entity were required independently to test every converter box.[44]

To ensure the integrity of the program, however, the FCC, most likely through its Office of Engineering and Technology, should have the ability to be involved in the approval process before the devices are released to market. To this end, manufacturers should be required to submit their test results, along with appropriate samples of the tested equipment, to the FCC. The FCC should then review test results to ensure conformity between the converter boxes and

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[42] NPRM at 42070.

[43] *See* 47 C.F.R. § 2.902 ("Verification is a procedure where the manufacturer makes measurements or takes the necessary steps to insure that the equipment complies with the appropriate technical standards.").

[44] Because of the unique and time-limited nature of the converter box program, the commenters believe that a "verification plus" process would best ensure the quality of consumer devices included within the program. These comments do not address the viability of such a process in any other context.

the NTIA's performance standards which themselves are based on standards endorsed by or known to the FCC. If the FCC does not alert NTIA and the manufacturer of any problem within 15 days of when the data were submitted, the device should automatically qualify for the program. If the FCC *does* issue notification of a problem, however, it should expedite its own testing and rapidly notify NTIA and the manufacturer of any noncompliance. In this circumstance, the manufacturer would not be allowed to distribute its devices until they are cleared by the FCC. This process is, of course, extraordinary, but it is justified by the special nature of the converter box program.

The Joint Industry Commenters believe that the "verification" component of the "verification plus" process would assure simplicity and efficiency and would permit eligible converter boxes to be released to market without delay and with minimal burden on the FCC and manufacturers. It is also based on a process that the FCC has long used to approve other communications equipment. The "plus" component would also assure that the process remains fair for both consumers and manufacturers. It would protect consumers against noncompliant boxes, and it would ensure that all manufacturers meet the same threshold standards.

III. DISTRIBUTION AND EDUCATION

Finally, NTIA asks for input on the procedures for retail distribution of converter boxes and the steps for educating consumers about the program. The retail industry and service providers to the retail industry have extensive experience in fashioning efficient methods for distributing equipment and processing coupons. The Joint Industry Commenters agree with retailers that an electronic coupon card is the most efficient way to administer the program, as

well as the best way to avoid fraud.[45] Retailers are also well-positioned to advise how to inform consumers about which devices are eligible under the program and about the program's processes more generally. Accordingly, NTIA should rely on that industry's experience in preparing retail distribution procedures and a consumer education program.

The consumer electronics and broadcast industries understand the importance of educating consumers, and they are committed to contributing to the success of the program by continuing and expanding their existing consumer education efforts as the application period for the converter box program approaches. The broadcast and consumer electronics industries have already developed resources to assist consumers in obtaining equipment for the transition and accessing other important information. They will continue to engage in consumer outreach after NTIA adopts regulations for the converter box program, and will work with NTIA to inform consumers how they can apply to receive program coupons as part of their overall program to educate viewers about the transition.[46] NTIA should also coordinate with the FCC and other agencies that have experience in large-scale consumer education campaigns on how best to use the $5 million that Congress allocated for consumer education.[47]

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[45] Electronic cards have proved successful, for example, in the context of food stamp programs, as well as military and GSA purchasing programs. NTIA should consider the experience of other agencies in administering large-scale programs such as these with the use of electronic payment media.

[46] For example, CEA has launched *antennaweb.org*, which helps consumers determine which type of digital television antenna is right for them, and *ceknowhow.com*, the premier training resource for consumer electronics sales personnel, among other consumer education programs. The public can also visit *dtv.gov*, which provides consumer-focused information and links concerning the transition, as well as a DTV shopper's guide and DTV tip sheet.

[47] *See* Act at § 3005(c)(2)(A).

Congress has been clear and consistent that the digital transition should benefit, rather than harm, the public. It created the consumer-focused digital converter box program to protect the rights of all Americans to continue to receive the benefits of their free, over-the-air television service, notwithstanding the completion of the digital transition. Our two industries, committed to facilitating the transition, submit these consensus views about how best to achieve this goal.

Respectfully submitted,

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September 25, 2006

APPENDIX A

Recommendation of CEA, MSTV and NAB for Functional and Performance Requirements for a Digital-to-Analog Converter Box to be eligible for NTIA's coupon program pursuant to the Digital Television Transition and Public Safety Act of 2005

REFERENCE DOCUMENTS

ATSC A/74, Receiver Performance Guidelines, June 2004
ATSC A/53E, ATSC Digital Television Standard, Revision E with Amendments No. 1 and No. 2, September 2006
ATSC A/65C, Program and System Information Protocol for Terrestrial Broadcast and Cable (Revision C) With Amendment No. 1, May 2006
Recommendation ITU-R BT.500-11, Methodology for the subjective assessment of the quality of television pictures
ATSC A/69, PSIP Implementation Guidelines for Broadcasters, June 2002

ELIGIBLE CONVERTER BOXES SHALL COMPLY WITH THE FOLLOWING FEATURES AND MINIMUM PERFORMANCE REQUIIREMENTS:

1. Decoder
Equipment shall be capable of receiving and presenting for display program material that has been encoded in any and all of the video formats contained in Table A3 of ATSC A/53E. The image presented for display need not preserve the original spatial resolution or frame rate of the transmitted video format.

2. Output Formats
Equipment shall support 4:3 center cut-out of 16:9 transmitted image, letterbox output of 16:9 letterbox transmitted image, and a full or partially zoomed output of unknown transmitted image.

3. PSIP Processing
Equipment shall process and display ATSC A/65C Program and System Information Protocol (PSIP) data to provide the user with tuned channel and program information.
See ATSC A/69 for further guidance.

4. Tuning Range
Equipment shall be capable of receiving RF channels 2 through 69 inclusive.

5. RF Input
Equipment shall include a female 75 ohm F Type connector for VHF/UHF antenna input.

6. RF Output
Equipment shall include a female 75 ohm F Type connector with user-selectable channel 3 or 4 NTSC RF output.

7. Composite Output
Equipment shall include female RCA connectors for stereo left and right audio (white and red) and a female RCA connector for composite video (yellow). Output shall produce video with ITU-R BT.500-11 quality scale of Grade 4 or higher.

8. RF Dynamic Range (Sensitivity)
Equipment shall achieve a bit error rate (BER) in the transport stream of no worse than $3x10^{-6}$ for input RF signal levels directly to the tuner from -83 dBm to -5 dBm over the tuning range. Subjective video/audio assessment methodologies could be used to comply with the bit error rate requirement.[1]
Test conditions are for a single RF channel input with no noise or channel impairment.
Refer to ATSC A/74 Section 4.1 for further guidance. (Note the upper limit specified here is different than that in A/74 4.1).

9. Phase Noise
Equipment shall achieve a bit error rate in the transport stream of no worse than $3x10^{-6}$ for a single channel RF input signal with phase noise of -80 dBc/Hz at 20 kHz offset. The input signal level shall be -28 dBm. Subjective video/audio assessment methodologies described above could be used to comply with the bit error rate requirement.
Refer to ATSC A/74 Section 4.3 for further guidance.

10. Co-Channel Rejection
The receiver shall not exceed the thresholds indicated in Table 1 for rejection of co-channel interference at the given desired signal levels.
Refer to ATSC A/74 Section 4.4.1 for further guidance.

Table 1- Co-Channel Rejection Thresholds

Type of Interference	Co-Channel D/U Ratio (dB)	
	Weak Desired (–68 dBm)	**Moderate Desired (–53 dBm)**
DTV interference into DTV	+15.5	+15.5
NTSC interference into DTV	+2.5	+2.5

Notes:
NTSC split 75% color bars with pluge bars and picture to sound ratio of 7 dB should be used for video source.
ATSC high definition moving video should be used for video source.
All NTSC values are peak power; all DTV values are average power.

[1] Subjective evaluation methodologies use the human visual and auditory systems as the primary measuring "instrument." These methods may incorporate viewing active video and audio segments to evaluate the performance as perceived by a human observer. For subjective measurement, the use of an expert viewer is recommended. The viewer shall observe the video and listen to the audio for at least 20 seconds in order to determine Threshold of Visibility (TOV) and Threshold of Audibility (TOA). Subjective evaluation of TOV should correspond with achievement of transport stream error rate not greater than a BER of $3x10^{-6}$. If there is disagreement over TOV performance evaluation, it will be resolved with a measurement of actual BER.

11. First Adjacent Channel Rejection
The receiver shall not exceed the thresholds indicated in Table 2 for rejection of adjacent channel interference at the given desired signal levels.
Refer to ATSC A/74 Section 4.4.2 for further guidance.

Table 2- Adjacent Channel Rejection Thresholds

Type of Interference	Adjacent Channel D/U Ratio (dB)		
	Weak Desired (–68 dBm)	**Moderate Desired (–53 dBm)**	**Strong Desired (–28 dBm)**
Lower DTV interference into DTV	≥-33	-33	-20
Upper DTV interference into DTV	≥-33	-33	-20
Lower NTSC interference into DTV	≥-40	-35	-26
Upper NTSC interference into DTV	≥-40	-35	-26
Notes: NTSC split 75% color bars with pluge bars and picture to sound ratio of 7 dB should be used for video source. ATSC high definition moving video should be used for video source. All NTSC values are peak power; all DTV values are average power.			

12. Taboo Channel Rejection
The receiver shall not exceed the thresholds indicated in Table 3 for rejection of taboo channel interference at the given DTV desired and undesired signal levels.
Refer to ATSC A/74 Section 4.4.3 for further guidance.

Table 3- Taboo Channel Rejection Thresholds for DTV Interference into DTV

Channel	Taboo Channel D/U Ratio (dB)		
	Weak Desired (–68 dBm)	**Moderate Desired (–53 dBm)**	**Strong Desired (–28 dBm)**
N +/- 2	≥-44	-40	-20
N +/- 3	≥-48	-40	-20
N +/- 4	≥-52	-40	-20
N +/- 5	≥-56	-42	-20
N +/- 6 to N +/- 13	≥-57	-45	-20
N +/- 14 and N +/- 15	≥-46	-45	-20
Notes: ATSC high definition moving video should be used for video source. All DTV values are average power.			

13. Burst Noise
Equipment shall tolerate a noise burst of at least 165 µs duration at a 10 Hz repetition rate without visible errors. The noise burst shall be generated by gating a white noise source with average power -5 dB, measured in the 6 MHz channel under test, referenced to the average power of the DTV signal. The input DTV signal level shall be -28 dBm.
Refer to ATSC A/74 Section 4.4.4 for further guidance

14. Field Ensembles
Equipment shall demonstrate that it can successfully demodulate, with two or fewer errors, 30 of the 50 field ensembles available from ATSC in conjunction with ATSC A/74. Error counts are not expected to include inherent errors associated with the start and end or looping of field ensembles for playback.
Refer to ATSC A/74 Section 4.5.2 for further guidance.

15. Single Static Echo
Equipment shall comply with either ***CRITERIA A*** *or* ***CRITERIA B***, below.

CRITERIA A:
Equipment shall tolerate a single static echo with the magnitude, relative to a desired DTV signal power of -28 dBm, and delay defined in Table 4.

Table 4- Maximum Single Static Echo Delay

Echo Delay	Desired to Echo Ratio
-50 µs	16 dB
-40 µs	12 dB
-20 µs	6 dB
-10 µs	5 dB
-5 µs	2 dB
0 µs	1 dB
10 µs	2 dB
20 µs	3 dB
40 µs	10 dB
50 µs	16 dB

CRITERIA B:
Equipment may demonstrate compliance by tolerating a single static echo with the magnitude, relative to a desired DTV signal power of -28 dBm, and delay defined in Table 5, if the equipment also demonstrates that it can receive 37 of the 50 field ensembles. See **Field Ensembles** requirement.

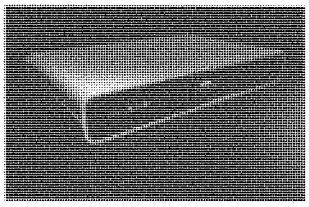
Table 5- Minimum Single Static Echo Delay

Echo Delay	Desired to Echo Ratio
-50 μs	16 dB
-40 μs	16 dB
-20 μs	7.5 dB
-10 μs	5 dB
-5 μs	2 dB
0 μs	1 dB
10 μs	2 dB
20 μs	3 dB
40 μs	16 dB
50 μs	16 dB

RCA READIES ENERGY-EFFICIENT DTA800 DIGITAL TV ADAPTER FOR RETAIL CUSTOMEF

Final Digital TV Transition Product Fully Complies with Coupon Eligibility Requirements Just Issued by U.S. Department of Commerce

March 12, 2007 – Indianapolis, IN – Now that the federal government has issued final eligibility Television Adapters, RCA is readying the DTA800, a low-cost and energy-efficient converter that favorite broadcast TV programs even when analog TV signals are turned off.



At the stroke of midnight at the end of February 17 broadcasts are scheduled to end in the United Stat the-air broadcasting. Millions of consumers rely on for news, information, and entertainment, and each receiver or converter before the end of analog broa answer for the end of the transition is the RCA DT affordable, high-quality set-top receiver for terrestri that will be fully compliant with the consumer coup U.S. government.

"The final rules from the Department of Commerce insure that manufacturers will offer high-qualit Digital TV Adapters to meet the needs of millions of consumers. We"re very pleased that all hous initially qualify to receive up to two $40 coupons to defray the cost of products like our RCA DTA discussing with retailers for consideration in their upcoming assortments," said Dan Collishaw, C Thomson"s Americas Audio/Video business.

Designed for consumers who have a favorite analog TV, or perhaps one built into a custom-mad receives terrestrially broadcast digital TV signals and converts them for display on a conventional

With the Consumer Electronics Association estimating that more than 20 million analog television signals for local channel reception, the RCA DTA800 Digital TV Adapter will play an important rol digital TV transition.

With an antenna input, digital reception and analog conversion electronics, and analog outputs, t receive over-the-air ATSC standard-definition and high-definition terrestrial broadcasts and come control unit. Analog viewers will have several new features with the RCA DTA800, including on-s information sent by broadcasters, digital parental control options, closed captioning, and a Smart with specialty antenna products that optimize reception in hard-to-reach areas.

"We anticipate a market for several million Digital TV Adapters beginning with the availability of D coupons in January 2008. The RCA DTA800 will be the ideal resource for consumers who want t TV set – either in the main entertainment room or another room in the home. And now that the fin have been made public, we"re ready to meet the demand from our retail customers," Collishaw s

Retail availability and suggested retail pricing will be dependent on retailer interest in this new pr

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Certain statements in this press release, including any discussion of management expectations f constitute "forward-looking statements" within the meaning of the "safe harbor" of the U.S. Private Reform Act of 1995. Such forward-looking statements are based on management's current expe are subject to a number of factors and uncertainties that could cause actual results to differ mate

results expressed or implied by the forward-looking statements due to changes in global econom market and regulatory factors. More detailed information on the potential factors that could affect Thomson is contained in Thomson's filings with the U.S. Securities and Exchange Commission.

About Thomson – World leader in digital video technologies
Thomson (Euronext Paris: 18453; NYSE: TMS) provides services, systems and technology to he Entertainment clients – content creators, content distributors and users of its technology – realize optimize their performance in a rapidly changing technology environment. The Group is the prefe & Entertainment Industries through its Technicolor, Grass Valley, RCA and Thomson brands. For www.thomson.net

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Terms Security Privacy Trademar

March 27, 2007

The Honorable Edward J. Markey
Chairman
Subcommittee on Telecommunications and the Internet
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Fred Upton
Ranking Republican Member
Subcommittee on Telecommunications and the Internet
Committee on Energy and Commerce
2322A Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Markey and Ranking Member Upton:

As you may know, and consistent with its historical leadership in offering consumers affordable digital television products, Thomson Audio/Video recently announced that it is readying for market a low-cost, energy efficient digital-to-analog converter box that is fully compliant with rules adopted earlier this month by the Department of Commerce as part of its implementation of the consumer coupon program. This product – the RCA DTA800 – will receive broadcasters' standard and high definition digital signals and convert those signals for display on any analog television, offering analog consumers a vastly improved viewing experience. Additionally, the RCA DTA800, which comes with a remote control unit, will include parental control options and closed captioning (which many older analog televisions presently lack) as well as other consumer-friendly features.

It is Thomson's understanding that concerns have been raised, in the context of the Subcommittee's recent oversight hearings on the NTIA coupon program, as to whether coupon-eligible converter boxes such as the RCA DTA800 will be available for consumers to purchase as soon as coupons are issued on January 1, 2008. Thomson wishes to reassure you and the members of the Subcommittee that, as far as Thomson is concerned, if retailers seek to have coupon-eligible converter products on their shelves as of January 1, 2008, Thomson fully expects and is planning to meet that demand.

Thomson
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Thomson commends the Subcommittee for its very important work on this matter and appreciates your consideration of these views.

Sincerely,

David H. Arland
Vice President/Marketing
Audio/Video & Accessories

cc: The Honorable John D. Dingell, Chairman
Committee on Energy and Commerce

The Honorable Joe Barton, Ranking Republican Member
Committee on Energy and Commerce

STATUS OF THE DTV TRANSITION—PART 2

WEDNESDAY, OCTOBER 17, 2007

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TELECOMMUNICATIONS
AND THE INTERNET,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:40 a.m., in room 2123, Rayburn House Office Building, Hon. Edward J. Markey (chairman)

Present: Representatives Doyle, Gonzalez, Inslee, Rush, Eshoo, Stupak, Green, Solis, Dingell, Upton, Stearns, Deal, Shimkus, Radanovich, Terry, Ferguson, and Barton.

Also present: Representative Blackburn.

Staff present: Amy Levine, Colin Crowell, Tim Powderly, Maureen Flood, David Vogel, Philip Murphy, Neil Fried, Courtney Reinhard, and Garrett Golding.

OPENING STATEMENT OF HON. EDWARD J. MARKEY, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF MASSACHUSETTS

Mr. MARKEY. Good morning. Welcome to the Subcommittee on Telecommunications and the Internet. This is the subcommittee's second in a series of oversight hearings on the status of the digital television transition. Unfortunately, prior oversight hearings have left this subcommittee with a DTV picture that is fuzzy at best. Our goal going forward will be to get better reception from the Federal Government, industry and community groups about how they might work better in concert to ensure that millions of Americans do not lose free over-the-air television after the transition from analog to digital broadcasting on February 17, 2009.

I am encouraged by some recent Government efforts to help consumers navigate the transition successfully. After our last hearing, the Commission required retailers to inform consumers when television equipment only has an analog tuner by displaying a Government-mandated consumer alert near the device. Not only does such a notice assist consumers in making fully informed decisions before bringing home an analog-only TV, it also serves to educate consumers about the DTV transition itself.

The Commission has rigorously enforced this rule. Seven retailers are facing almost $3 million in fines. In addition, the Commission also has assessed penalties against manufacturers for importing TVs lacking digital tuners. I commend FCC Chairman Martin

for sending a strong message that the Government will not tolerate the TV equivalent of war profiteering.

I encourage the Commission to vigorously monitor and assess the transition as it proceeds. For instance, the FCC could send employees into participating stores to make sure that retailers are sufficiently stocking and selling the converter boxes subsidized by the coupon program, and not just hocking the $500 digital TV sets. The Commission should also spot-check digital devices, including converter boxes, to make sure they include mandatory pro-consumer technologies. Like the V-chip and closed captioning and those other features, we have to ensure that they actually function properly for consumers.

I also want to applaud Assistant Secretary John Kneuer for NTIA's decision to hire IBM to manage the Digital-to-Analog Converter Box Coupon Program. IBM and its subcontractors appear to have the expertise and proconsumer orientation necessary to implement a successful coupon program if other elements and entities in the transition work in concert and do their part.

The most critical component of a successful DTV transition is consumer education. Ultimately, the Federal Government is responsible for making sure that more than 300 million Americans are adequately informed, not the industry or consumer groups. It is, after all, Government mandates that will render obsolete millions of analog TVs. Both the FCC and NTIA have been preparing consumer advisories, creating Web sites, holding forums and meeting with public- and private-sector groups. The current plan relies heavily on the good graces of industry and the voluntary efforts of committed consumer and community groups to get the job done. However, because the amount of money available to the Commission and to the NTIA for consumer education for their respective aspects of the transition is highly limited, more must be done.

Affected industries appear to be stepping up to fill some of the void. Thus, recent commitments by the cable industry, broadcasters and public television to air millions of dollars' worth of messages about the transition on TV will be critical to the success of this effort. But all of those efforts are purely voluntary.

As Chairman Dingell and I suggested to Chairman Martin earlier this year, there is value in mandating a minimum level of compulsory consumer education on the part of industry, particularly given that these requirements can be monitored and enforced. I am pleased that Chairman Martin took our suggestion to initiate a rulemaking, and I hope he adopts those rules expeditiously as the deadline draws near.

This leads me to the aspect of the DTV transition that needs greater clarity and coordination. According to the report being prepared at my request by the Government Accountability Office, no single organization has assumed responsibility for the overall transition. It is as if we have a team of able running backs and receivers running around the field searching for the end zone, but no quarterback running the plays. Indeed, according to the GAO, there is no comprehensive DTV transition plan, no monitoring and no contingency plan.

I want to commend the GAO for their excellent work in preparing for today's testimony, which provides us with an Emergency

Broadcast System alert about challenges ahead with sufficient time to take corrective action. It is my belief that while NTIA has responsibility for the consumer coupon program, the FCC has primary responsibility for the overall digital transition. Chairman Martin, I think that makes you Tom Brady for our DTV purposes.

Mr. UPTON. A good Wolverine, I want you to know.

Mr. MARKEY. That is where Mr. Upton and I really feel good. We are Michigan and Boston bond on this Tom Brady issue. And giving you this mantle, Mr. Chairman, is the highest accolade that can be bestowed on a bipartisan basis in this committee.

Mr. UPTON. Hail to the victors, right?

Mr. MARKEY. You are the Nation's DTV quarterback, and we will be counting on you and the Commission for the leadership to coordinate the various aspects of the transition, which is so important for public safety, economic growth, innovation, consumer welfare and the future of television itself. I look forward to hearing from today's witnesses.

Let me turn to recognize the ranking member of the subcommittee, the gentleman from Michigan, Mr. Upton.

OPENING STATEMENT OF HON. FRED UPTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. UPTON. Thank you, Mr. Chairman. Good morning to all.

I would like to thank the witnesses for testifying today on this very important subject. This is not our first hearing on the topic, and, given the importance, I don't think it will be the last.

Still a year and a half away, the DTV transition is an issue that continues to generate an outstanding amount of attention. And I am absolutely confident that as we move closer to February 2009, an even brighter spotlight will shine on the DTV transition, so much so that the transition will be a success, and consumers will not be caught off guard.

We should certainly commend the cable and the broadcast industries for stepping up to the plate to help educate the public about the digital television transition. We still have more than a year to go. Their already outstanding efforts and commitments are sure to increase as the deadline approaches. Specifically, local broadcasters are to be commended for their proactive initiatives to educate Americans on the transition to DTV. It is comforting to know that the broadcasters understand the critical importance of educating Americans on this issue so that a seamless transition can take place in February 2009. Individually each local broadcaster has already had to invest significant sums, millions of dollars to move the transition forward, and had it not been for their hard work and sacrifice, that transition would not be possible.

The fact remains it is in the financial interests of the broadcasters, pay-TV companies, manufacturers, retailers to make sure that each TV viewer in the household knows about the DTV transition. The last thing the industry wants to do is lose viewers, and I am confident that they will do everything necessary to ensure that that does not happen.

Some of the industry's plan is similar to a measure that I introduced with Mr. Hastert and Mr. Barton in January, H.R. 608. Similar provisions would be law today had it not been for the Sen-

ate procedural rules that stripped the consumer education provisions from the original DTV legislation that was enacted in the last Congress. And if any of my colleagues on either side of the aisle have doubts or concerns about the industry's resolve to educate consumers, I would ask them to cosponsor our bill, H.R. 608.

Much of the focus has been external, looking at industry and the NTIA and the FCC; however, there is much that we can do as Members of Congress to educate our constituents. My Web site already has information about the DTV transition, as well as links to external sites with information about the DTV transition. In the next few weeks, I plan on launching a new Web site with even more comprehensive DTV education. Congressional franking rules also permit Members to include information about the transition through our constituent mail. Everyone has a role to play, and I would urge my colleagues to do their part.

Additionally, the cable industry has taken a significant step forward in promoting an orderly transition by voluntarily agreeing to carry the broadcasters' digital and analog signals for the next 3 years, which mirrored what this committee passed last year, and which the FCC recently adopted.

Chairman Martin has also proposed a new multicast must-carry mandate on cable operators, and I happen to believe that imposing that standard at this point would perhaps threaten an orderly transition, and I look forward to hearing more about that as the question-and-answer period moves forward.

Lastly, I would like to again recommend the auctioning of white spaces. The market is much better than we regulators at determining the value of and the best use for the spectrum. There are likely a number of possible areas, and one that has recently been raised is an alternative to special access. All potential providers and services should be given an opportunity to compete for that spectrum in a fair auction. Licensing would also have the added benefit of protecting against any interference with digital TV should it arise. The recent test results released by the FCC demonstrate that that might be a problem.

At a minimum FCC testing is needed, and I am glad that that is going to happen. It is too important to risk with the use of unlicensed devices. Further, it has and will demonstrate the tax for value in auctioning the spectrum.

I look forward to hearing from the panel this morning.

The 9/11 Commission understood the importance of ensuring that our first responders have the equipment and the spectrum necessary to communicate in times of emergency. I am proud that we were successful in not only passing the DTV transition in the last Congress, but provided a helping hand to enable our first responders to better protect all of America.

I also have a letter from Chairman Martin indicating that the number of exclusively over-the-air homes has once again dropped and now is only at about 13 percent. The letter also indicates that the legislation, H.R. 608, that we introduced in January would help reduce litigation over the FCC's authority to impose consumer education requirements. I have three letters from the Cable Association, the Broadcast Association and Univision concerning their recent announcement to launch about $1 billion to combine the con-

sumer education. And I would ask unanimous consent that these documents be placed in the record.

Mr. MARKEY. Without objection.

Mr. UPTON. And with that, Mr. Chairman, I yield back the balance of my time.

Mr. MARKEY. The gentleman's time has expired.

The Chair recognizes the gentleman from Michigan, the chairman of the full committee, Mr. Dingell.

OPENING STATEMENT OF HON. JOHN D. DINGELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. DINGELL. Mr. Chairman, I thank you for your courtesy. I commend you for holding this hearing. It is a matter of great importance to the country as we are going to find out as the event comes near. The digital television transition might well be the most important telecommunications issue before this committee.

I want to express my appreciation to the panel for being with us this morning. Gentlemen, thank you. We appreciate your help, and we need it, and we look forward to it.

This oversight hearing is the second in a series regarding the DTV transition. The transition promises great benefits to consumers, including more and higher-quality over-the-air programming, new advanced wireless services, and by use of the analog spectrum currently reserved for broadcast television, first responders and other public safety communications. We must, however, make sure that the Government and industry have done all they can to ensure that no consumer wakes up on February 18, 2009, to find their television screen has gone dark, and also to find that we are incapable of providing them with the proper information for the switchover.

Much work remains to be done for a successful transition, and, quite frankly, I am not satisfied that we know what that might happen to be. First and foremost, there has to be Government leadership. As our GAO witness will testify, there is currently no clear leader in the transition. That must be defined much more clearly. The Federal Communications Commission should be the agency spearheading this transition. The NTIA, or the National Telecommunications and Information Administration, has a distinct, statutorily defined role in administering the converter box coupon program, and it is an extremely important role, but appropriately the FCC should be leading the transition and working with NTIA and others to coordinate these many efforts.

I urge the FCC to consider an interagency task force to facilitate a smooth transition, similar to the one that was established to address Y2K. That interagency task force spent nearly 2 years on its missions with a clear priority and a sense of urgency to prepare the Nation for any effects that might be brought about by the arrival of the year 2000. We need a similar approach to the problems now before us. We face a shorter timetable for the DTV transition, and I believe that the administration must approach the DTV transition with the same diligence as the previous administration employed for Y2K.

The converter box coupon program is a critical element. Each and every consumer who will need a converter box to view over-the-air programming must have one. Coordinating the logistics of this program and the distribution of coupons for converter boxes presents a tremendous challenge, one on which I am not satisfied that we have properly conducted our inquiries or arrived at our conclusions.

I look forward to the testimony of IBM, the vendor selected by NTIA to implement this enormous undertaking, about its plans to carry out a very important job. We will also receive testimony from consumer groups about the various constituencies that should be informed and educated about the transition. Many at-risk populations, such as the elderly, the economically disadvantaged, people with disabilities and those who live in rural and other underserved areas and communities will need particular attention.

As I noted before, digital television holds great promise for the country, and we all look forward to its potential being fully realized, but at this moment it is uncertain that it will be fully realized or will be realized without a great level of pain, discomfort and inconvenience. We must also ensure that all Americans will enjoy the benefits that can follow the end of analog TV on February 17, 2009, and the institution of the digital system that we look forward to.

I want to thank our witnesses again and observe that each of them has an important role here today. We are here to help you facilitate a successful transition, and I look forward to working with you over the next 16 months.

Mr. Chairman, I thank you for your courtesy to me.

Mr. MARKEY. The gentleman's time has expired.

Mr. MARKEY. The Chair recognizes the gentleman from Georgia Mr. Deal.

OPENING STATEMENT OF HON. NATHAN DEAL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. DEAL. Thank you, Mr. Chairman.

I thank our witnesses for being with us today. And I would like to raise several issues relating to the DTV transition with you.

First of all, I would like to address the FCC's recent dual carriage order which deals with the broadcast carriage obligations of cable operators after the digital transition in television. The order requires cable to pass along the digital signal of must-carry broadcasters in both digital and analog formats to their subscribers. Unfortunately it does not provide an exemption for small operators. Rather, it allows cable systems with limited capacity to file for a waiver to relieve them of this obligation.

I am concerned with this decision as it essentially acknowledges the dual carriage rule will be burdensome for small cable providers due to their unique technological limitations. It seems ill-advised for the Commission to enact rules which force small rural cable operators with limited means to go out and hire a DC lawyer simply to navigate the FCC's often unpredictable waiver process.

In the same vein I would like to comment on proposals at the FCC to impose multicast must-carry requirements on cable operators. I have long advocated for less regulation and more free-market principles in the video marketplace. I find proposals to impose

more must-carry requirements disturbing. It is important that consumer preference, not Government mandates, determine what viewers watch. In addition, by implementing new must-carry mandates, the Government is creating a video market with little or no incentive to develop or produce high-quality programming. I would urge the Commission to avoid a path of increased regulation.

Lastly, I would like to briefly comment on the ongoing testing of white-space devices at the FCC. I understand and agree with the need to conduct additional testing to ensure that no interference to broadcast or wireless microphone services, and commend the Commission for its willingness to continue working on this issue. Television's white spaces hold a potential for great innovation, including low-cost rural wireless broadband service and the wireless distribution of content within the home and office. For entrepreneurs, white spaces provides nearly boundless possibilities for development and exploration. It is important for us to build on the initial FCC tests which prove that the concept that white-space devices can detect and avoid both digital television and wireless microphone signals, and I thank you for continuing to test those devices.

Thank you, Mr. Chairman. I look forward to hearing the Commissioners, and I yield back my time.

Mr. MARKEY. The gentleman's time has expired.

Mr. MARKEY. The Chair recognizes the gentleman from Pennsylvania Mr. Doyle.

OPENING STATEMENT OF HON. MIKE DOYLE, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF PENNSYLVANIA

Mr. DOYLE. Thank you, Mr. Chairman.

Mr. Chairman, just a few hours ago the tiny U.K. town of Whitehaven and the surrounding area just began its DTV transition. It is the canary in the coal mine, so to speak, and I hope that we will be able to learn something from the switch that is happening over there today.

That said, back over here I am worried that we are not doing enough to educate and inform consumers of the switch. Mr. Chairman, Procter & Gamble spent $128 million in 2004 to market the Swiffer broom to American consumers, and GM has pledged $100 million to promote its new Malibu. But NTIA has only $5 million to inform American consumers that they don't need to spend too much out of pocket to keep their TV sets working after the Government mandates the transition to digital TV. And the FCC has a total of $1.5 million to help talk about the transition as a whole.

Now, compare that to the city of Berlin, a city which has only 3.4 million residents. They needed to spend $1 million; or the U.K., which is spending over $400 million to educate their country.

Mr. Chairman, it is not that America has not had to educate our people on this kind of a scale, but we have never done it on a shoestring like this. Instead America has chosen to encourage the private sector to step up to the plate.

Because we are relying so much on the private sector to educate and inform the American public, we have to remember that these guys are competitors. Now, that is a good thing, but I want to

make sure that the vigorous competition doesn't harm the need for clear, useful and informative messages.

Back before the turn of the 21st century, FCC Chairman William Kennard reached across the aisle and chose then-Commissioner Michael Powell to be in charge of the FCC's preparation for Y2K. Now, Y2K went off without much of a blip. And, Mr. Chairman, I hear that people are only now beginning to finish the canned goods they socked away in their basement. I think it would be useful to work through a Commissioner. They would be able to help the industries and the associations involved work better together.

Chairman Martin, they say making policy is like baking a cake. I have read your testimony, and I have to say I hope the details of your proposed consumer education order are as sweet as the frosting looks. But we should not be distracted by unrelated and irrelevant policy goals. DTV should not be an excuse so that people throw anything on the wall to see what sticks. And just like DTV shouldn't be a windfall for regulators, it should also not be an unfair windfall to retailers and manufacturers.

Now, I love my big-screen HDTV, and I am glad I have other flat panels at home, too, but I can afford them, and I wanted the better picture quality. But a study published by U.S. PIRG suggests that retailers aren't telling their staff the right information about the transition. The transition's first line of defense, the retail sales clerk, often weren't aware of affordable converter boxes coming to the market soon, much less that there will be a coupon to compensate them to keep their TV working.

Mr. Chairman, I look forward to hearing the testimony of Ms. Fazlullah on this issue, and the other witnesses, and I yield back.

Mr. MARKEY. The gentleman's time has expired.

The Chair recognizes the gentleman from Oregon Mr. Walden.

OPENING STATEMENT OF HON. GREG WALDEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. WALDEN. Thank you very much, Mr. Chairman. Thanks for having this additional hearing on the DTV transition.

I want to welcome the Secretary and the Commissioners and others who testify today. Unfortunately I am going to have to step out, but I will take your testimony and read it later.

Four hundred eighty-nine days from today it all happens. Millions of Americans will be affected, and our phones will ring off the hook. As chairman of the Congressional Digital Television Caucus, along with my colleague Rick Boucher, I am pleased that the subcommittee is having this hearing today, and we are doing everything we can as a caucus to educate our colleagues and others not on this committee about what lies ahead. We have got to get this right, and we have to work collaboratively to ensure a smooth transition.

I appreciate the fact that the cable industry and the broadcast industry together are spending more than $900 million to air English- and Spanish-language advertising on cable and broadcast stations. I have already begun to see those ads. I think that is essential to educate consumers about what lies ahead. Certainly it will complement the $5 million that NTIA has on hand to spend on consumer education. But clearly the bulk of the heavy lift here

will be done by cablecasters, broadcasters and satellitecasters. The NAB says that their efforts will reach some 98 billion audience impressions over the course of the campaign, and I applaud the commitment of all who are involved.

I also think it is important to recognize the Digital Television Transition Coalition. It is a broad-based group that is comprised of business and industry groups as well as grass-roots organizations that share an interest in a smooth transition.

I am pleased to hear that the coupon NTIA is putting out will actually look like a gift card. Indeed it is. And consumers are familiar with gift cards, and it will make it a lot easier to use when they go to get the converter boxes.

It is important we not take our eye off this ball. We have to carefully consider the feedback of our witnesses today in order that we get a transition that is as smooth as possible, and that consumers are both educated about what is coming toward them and have the ability to connect appropriately so that they don't lose contact with the digital TV world.

Mr. Chairman, thank you again for this hearing and for the work that you and the subcommittee are doing, and we look forward to a smooth transition in 2009.

Mr. MARKEY. The gentleman's time has expired.

The Chair recognizes the gentleman from Texas Mr. Gonzalez.

Mr. GONZALEZ. Waive opening.

Mr. MARKEY. The Chair recognizes the gentlelady from California Ms. Eshoo.

OPENING STATEMENT OF HON. ANNA G. ESHOO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Ms. ESHOO. Thank you, Mr. Chairman, for holding this second DTV hearing. It is an important one.

And welcome to the witnesses.

I think that we all know that digital transition holds great hope for both broadcast television and wireless broadband, and the members of this committee know it very well because it is obviously our jurisdiction. We have worked on this for a long time. We kind of know the language that surrounds the issue, and we drill down almost every time we meet on something that has something to do with the issue.

There are, I think, important and noteworthy efforts that have taken place in the private sector to provide guidance to customers for the transition, but I think that we are assuming that it is penetrating and that it is understandable. I, for one, think that we are falling short. The good news is I think we have time to do something about it, and I think that a very well coordinated, comprehensive DTV transition plan really has to be taken seriously and implemented.

I want to tell a story of something that occurred when I was home this weekend. I heard from a number of constituents both at town hall meetings and when I went to Mass on Sunday. I attend Mass at a place where the retired sisters, the Religious of the Sacred Heart, live. Now, they are all Ph.D.s, former college presidents, RAND, some of the most prestigious institutions of learning

in our country. So this is not a slow group. The only thing that might be slow is their walk now because they are retired.

Well, they had received a notice that they were not going to have C-SPAN anymore. And I have to tell you, to be surrounded by almost 60 nuns after Mass waving these cards, I don't know about you, Mr. Chairman, or anyone else, but that is a tough audience. So it said to me that even the message that is going out is kind of written in someone else's telecommunications language.

And that may seem anecdotal and a sweet story, but I think that we need to pay attention to that. We know the language, and we think we have a handle on how this is going to work. But that TV set and what comes across it and what it means to fill the hours and to inform people in our country or to entertain them, whatever the purpose might be, is very, very important. So this transition has to have relevancy to it. People need to know what the actual steps are. Is it going to cost them more? Do they have to get a box? Who do they call? Why do they have to pay more?

So I think we have a ways to go. At one time I offered an amendment here with a former colleague now, Mr. Bass, that the local PBS stations would be in charge of at least some of the education on this to people in communities across the country. Now, I know that about $5 million has gone to the NTIA. I think that has gone to a PR firm. I think $5 million is a drop in the bucket. If something has been carried, I don't watch TV all the time, in fact very little of the time, but I have never picked up on anything, and I am not the important one. The people that we represent are.

So I think we have a ways to go on this, and I think that Commissioner Adelstein has made a very important recommendation that we have a transition task force. And it needs to be coordinated, it needs to be clear, it needs to be relevant. And do you know what? How about some simplicity to it so that people understand it?

So thank you, Mr. Chairman. I look forward to the witnesses. And don't forget the story of the Religious and the Sacred Heart.

Mr. MARKEY. The gentlelady's time has expired.

The Chair recognizes the ranking member of the committee, the gentleman from Texas, Mr. Barton.

OPENING STATEMENT OF HON. JOE BARTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. BARTON. Thank you, Mr. Chairman. It is good to see our friends here today and the first panel and then our second panel also. It is good to have another hearing on the digital transition, which, as we all know. Is coming next year or year after next, in February 2009. The exact date is February 17, 2009.

For those of you that wonder where that date came from, I don't know that I have ever said this publicly, but Mr. Markey and Mr. Dingell had a lot to do with it. I wanted a shorter date, and they pointed out that we probably need to get the presidential election out of the way and the Super Bowl and that that would be a good day. So for those of you that wonder how legislation is done, this was a bipartisan negotiation where Mr. Dingell and Mr. Markey convinced myself and Mr. Upton that that was a good date. And

I am happy to say that in all of these hearings that we have had and the public comments, that date has held.

Our manufacturers are moving to have the set-top converter boxes and the TVs with the digital receivers in them, and the private sector is gearing up to do the public outreach, which we are going to hear more about today. And our friends in the Government that have to implement the program are moving ahead with their program.

So we think we have enough money. We set aside $1 billion to go to the first responders for their interoperable communications equipment after the auction is held in January 2008. We also set aside up to $1.5 billion for the converter box program. And those converter boxes are beginning to be manufactured as we speak.

Mr. Upton and myself sent a letter to Chairman Martin not too long ago asking him for his comments about how many people might have to use those converter boxes. He replied recently in a letter that the FCC predicts only about 13 percent of the television sets in America on that date will actually be rabbit ears or antennas and need some sort of a box. We all know that the market is changing and that there is every reason to believe that by the time that date gets here, that that number will be even less.

There is also some question about how many people will actually feel like they want to use the coupon. Again, just as a personal aside, Mr. Markey and myself, I should say Chairman Markey, I have got to call him Chairman Markey now that he is sitting there with the gavel, we did a contest to see who had the most obsolete TVs, and I thought I won with 13 TVs in various domiciles here and in Texas. But Mr. Markey won the contest for the most obsolete TV. He claims he has a little old black and white portable that he shaves by. So we will get a converter box for that for him and put a gold label on it, the first one issued or something, so that it gets converted.

We are very happy that the private sector is beginning their public outreach program. We don't have a witness from the National Association of Broadcasters here today, but they said earlier this week that they are going to spend up to $700 million in public education to show their viewers if they need to be prepared for the digital transition.

Mr. Chairman, I have got quite a bit of boring commentary in my written statement that I will put into the formal record, but let me end up by saying that if we need to do more legislatively, Mr. Upton, Mr. Hastert and myself have introduced H.R. 608, the Digital Television Consumer Education Act of 2007. We had a number of consumer education provisions in the House bill when this became law in the Deficit Reduction Act, but because of the Byrd rule, those are considered nongermane in the Senate and were stripped out on a technicality. So at some point this year if we need to do more legislatively, I would recommend to the committee and the subcommittee that H.R. 608 would be a good place to start.

With that, Mr. Chairman, thank you for the hearing, and I yield back my time.

Mr. MARKEY. I thank the gentleman very much.

My little screen is about 6 inches wide and about 25 years old, and it has just been looking at me at my eye level.

Mr. BARTON. Does it still work?

Mr. MARKEY. Oh, yes, as I shave in the morning. Unfortunately, the converter box is probably going to be three times as big as this little TV, so it is going to become a logistical problem.

Mr. UPTON. Make sure you don't plug it in next to the sink. You might get a little shock.

Mr. MARKEY. We do need warnings not only for nuns, but for Congressmen as well. It is really going to be a tricky transition.

The Chair recognizes the gentlelady from California Ms. Solis.

OPENING STATEMENT OF HON. HILDA L. SOLIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Ms. SOLIS. Thank you, Mr. Chairman.

I would like to thank our ranking member and also the witnesses and panel that are going to be speaking here today.

We only have 75 more days before we actually implement this program. That is not a long time. So I know that we have a lot to cover during our session here, and I hope to hear some innovative ideas of how we can fast-forward the information that is going to be so sorely needed in many of our communities.

And one example I would like to point out is recently Univision, one of the largest Spanish-language networks, actually rolled out PSAs and is also promoting radio ads and a 1–800 number operated with the FCC and NTIA for Spanish-speaking consumers. That is a good start. I would hope that other major Spanish-language networks, as well as Asia networks, will also contact you and we have that rollout happening as soon as possible.

I want to applaud also the cable industry and the broadcasters also for stepping up to the plate and putting in funding to also provide for PSAs and outreach. But one thing I am still concerned about is the fact that there is still so many people that don't know about this change that is going to be occurring, and the fact that so many of them are in communities of color, low-income, disadvantaged, elderly. In my case in my district, this is the situation where we still have rabbit ears that dominate many of the households in East Los Angeles and the San Gabriel Valley.

So I am looking for leadership, and I am hoping that the FCC will take that leadership on and will help to provide clarity so that everyone is on board, and we really, clearly understand what it is that we are doing. And I raise that issue because in a commentary that I sent to the FCC, I asked for clarification on just language usage in terms of how you talk about a converter box, and we found that there were several different translations, and some that I wasn't aware of that, to be honest, are not words that are easily understood by many. And I think someone who went to college understands a little bit better than, say, maybe a grandmother who only has maybe a sixth-grade education.

So I think there has to be clarity. I think there have to be standards at some point. And I think that the stakeholders have to be brought in and told and somehow directed as to what it is we are going to be doing.

So I would ask the FCC to please become more engaged in this effort and provide the kind of leadership that is so sorely needed.

We talk about converter boxes. There are different words you can use in Spanish to explain what that is. It is very confusing. And I know you stepped in and helped to weigh in and clarify that, but I think that is just one little instance. There is going to be more of that happening. And I would just hope that we could work together to see how we can provide that clarification.

So I look forward to hearing your testimony and also working with you and also other stakeholders in this process.

Thank you. I yield back.

Mr. MARKEY. The gentlelady's time is expired.

The Chair recognizes the gentleman from New Jersey Mr. Ferguson.

OPENING STATEMENT OF HON. MIKE FERGUSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. FERGUSON. Thank you, Mr. Chairman. I thank you and Mr. Upton for holding another hearing on the status of the DTV transition with less than a year and a half to go. This subcommittee can play a key oversight role, and it is in both the Government's and the industry's interest that the DTV transition proceed smoothly and efficiently and that no viewers are left behind.

To that end I want to commend the industry's timely efforts. Both the broadcasters and cable have stepped up to the plate, presenting comprehensive and multifaceted DTV education campaigns that aim to ensure that all Americans, whether they subscribe to cable or receive over-the-air signals, will be educated to help make a seamless transition to digital programming.

We in Government have an important role to play as well, from Congress to the NTIA to the FCC. We have to all work together to make sure that the transition is a success. And while we wait with interest for the FCC to rule on the DTV consumer education initiative, I urge this subcommittee to move the Digital Television Consumer Education Act, which will provide the Commission with additional authority to expand their capabilities for education and outreach.

In the meantime, as the Commission proceeds with their order, I also want to strongly urge that it stay focused on educating our constituents and making the DTV transition a success, and to refrain from pursuing anticompetitive policymaking. We heard Mr. Doyle before talk about throwing a lot of things at the wall and to see what sticks. I would say we have to keep that in mind specifically when I refer to the continuing discussion at the FCC of multicast must-carry. I sincerely hope that the FCC does not allow itself to get sidetracked by a proposal that is not only unnecessary, but it is anti-free market, and, frankly, it is constitutionally suspect. The Commission already adopted a dual carriage requirement in September. Adding a multicast must-carry obligation to that at this critical point in time is an unwarranted distraction and could even be viewed as irresponsible. I strongly urge the Commission to continue its cooperation with NTIA and their good work in educating the American public and to focus on a successful transition rather than needless Government mandates and regulation.

I want to thank you again, Chairman Markey and Mr. Upton, for holding this hearing. I thank our witnesses for attending. I look forward to hearing from them and getting their perspectives and updates on the status of the DTV transition, because this is something all of us clearly want to and need to get right.

Thank you, Mr. Chairman. I yield back.

Mr. MARKEY. The gentleman's time is expired.

The Chair recognizes the gentleman from Texas Mr. Green.

OPENING STATEMENT OF HON. GENE GREEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. GREEN. Thank you, Mr. Chairman. And I would like to thank you for holding this hearing on the digital transition.

I welcome our witnesses and look forward to their testimony.

As we approach a start date for the converter box coupon application and distribution, it is important we bring in all involved parties to assess the situation and address the shortcomings that might occur anywhere in the process. It seems the transition is coming down to the tracks like a train at a full speed, and preparations are not keeping pace, especially education outreach efforts. I am very concerned that there have been no coordinated campaign to educate people first and foremost that the transition is coming, much less why they need a converter box, or that coupon program exists and they may start applying in January.

I have seen a few commercials on the transition, but they have not been very clear and straightforward. If someone is not familiar with the transition, I doubt the commercials I have seen will give them any indication of what is going to happen. The toll-free number set for the converter box program, the 800-DTV–2009, provides only limited recorded information. It doesn't offer an opportunity to speak to an operator about the transition.

The Government's consumer education efforts would greatly improve by adding a national DTV call center and hotline where consumers could call in and ask questions of live staff who speak multiple languages and can help the elderly and people with disabilities. It appears that a lot of the outreach and education efforts are Internet-based. This is not going to affect inventory in vulnerable populations, such as the elderly and non-English-speaking households that typically rely heavily on the over-air reception and access to the Internet at low percentages than any other population. I understand there is going to be efforts to work with groups like AARP, the VA and other organizations that represent potentially vulnerable populations. But we are only 2–1/2 months away from the date applications for converter boxes can be submitted. This process seems to be moving much slower than it should.

Monday's commitment by the National Association of Broadcasters to spend $700 million on DTV education and advertising is a promising sign that broadcasters nationwide are committed to ensuring there is a successful transition. And the cable's industry commitment of the $200 million in advertising is promising as well. I hope to see similar by all involved parties.

The second issue I am extremely concerned about is retailers taking advantage of customers when they bring in their coupons for converter boxes. The FCC did a commendable job enforcing the

analog labeling requirements by issuing 262 citations to retailers who were not in compliance with the labeling order. I hope a similar proactive approach is taken with regards to consumers going into stores with coupons to pick up their boxes. It would be easy for a retailer employee to take advantage of a consumer who did not know the specifics of the converter box program or what other viewing options are. With the Consumer and Governmental Affairs Bureau and several FCC field offices across the country, I think it should seriously consider sending employees to stores to determine that these types of deceptive practices are going on.

I am also aware of the DTV education notice of proposed rulemaking and hope you are able to move forward with that order quickly, especially with the language requiring employee training by participating retailers. Again, I want to thank our witnesses in having visited a few retail outlets over the last 6 months. Earlier this year there was no information at all, but within the last month there is more information in a lot of the big-box retailers. At least there is information of that source so they don't end up buying an analog TV that was available, and, frankly, it was available last February and March, and now we are seeing that changed. But hopefully those folks who bought that analog TV and got a good deal on it understand that they are still going to have to have a converter box.

With that, I yield back my time.

Mr. MARKEY. The gentleman's time has expired.

The Chair recognizes the gentleman from Illinois Mr. Shimkus.

Mr. SHIMKUS. Mr. Chairman, I will waive. And I think Mr. Terry was before me anyway.

Mr. MARKEY. The Chair recognizes the gentleman from Nebraska Mr. Terry.

OPENING STATEMENT OF HON. LEE TERRY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mr. TERRY. Thank you.

Just to start off, I do think this is an important hearing, and we have had a series of hearings on the digital TV transition. And I think the folks in front of us in the audience can understand that we are nervous about the transition and how it is going to roll out because it has the potential, as one of my colleagues said, to really make our phones ring.

Now, I have had a series of meetings with FCC officials on this subject, NAB, our local TV stations in Omaha, and I feel fairly comfortable where we are at. As Greg Walden said, we are 400 and some days, a year and 4 or 5 months out. So on the timing issue of how and when we press it, I think is something worthy of discussion, because if you do it too early, you are going to create—I don't want to say a panic, that would be an exaggeration, but a concern too early. You want to do it at the right time where people can actually go out and get their boxes, get the coupons. You need to do it a little bit in advance. But if you are going to do it a year and 5 months early before coupons even come out, then I think you have mistimed the communications.

And in regard to the discussions about how much money is being put up at the Federal level, again, I am not so concerned about

that, because when I meet with the local officials, I am pretty impressed that each one of the TV stations in my district have a plan. And it is fairly aggressive in doing PSAs. And when I asked what programs; yes, they are going to run it, the Matlock rerun in the afternoon. They aren't just going to run these at 2:00 a.m. They want to make sure that their viewers have the information necessary; that if they rely on over-the-air TV, that they will get their set-top box and not miss a day.

They have also agreed, and I don't know if this is just unique to Nebraska, but they are working with the United Way to make sure that they communicate with the various groups, whether it is the disabled community, deaf community, senior population, minority population, whatever. We are working, our TV stations are working, with United Way and the Office on Aging and other groups to make sure that the message gets out. So I see a pretty good plan out there. And I think the issue is not just about money, but about the effort.

And I yield back.

Mr. MARKEY. The gentleman's time is expired.

The Chair recognizes the gentleman from Washington State Mr. Inslee.

OPENING STATEMENT OF HON. JAY INSLEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. INSLEE. Thank you. I would like to address, we had some previous discussion about white spaces. I just was reading an article today I thought was kind of interesting in one of the Hill documents here, pointing out there has been some discussion about interference. And it was pointing out that Dell, HP and Philips are major retailers of high-definition sets, which would mean if there was going to be interference from white spaces, that they would be undercutting their own business model, if you will. And I thought it was an interesting comment, because I think it indicates at least three major players whose business model would be damaged if there was interference want to see movement forward to continue testing and continue to develop our white spaces solution. And I hope that would be the direction that we move.

There also has been a suggestion that that become auctioned and that we allow folks to camp on spectrum. And I don't think that that is the most useful use of this spectrum. I hope that we are moving forward with continued testing in this regard to maximize use of this. I keep talking to folks who are ready at the gate to start access to these new technologies. I hope we are moving in that direction and look forward to discussion of that today. Thank you.

Mr. MARKEY. The gentleman's time has expired.

The Chair recognizes the gentleman from Florida Mr. Stearns.

OPENING STATEMENT OF HON. CLIFF STEARNS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. STEARNS. Thank you, Mr. Chairman and Chairman Martin. I appreciate your forbearance here as we go through these opening statements. I think we are in pretty good shape here.

Mr. Terry mentioned that he feels pretty confident about where we are at, and I sort of feel pretty confident myself, especially because the consumer electronic industry. Now, these are the ones that are going to be actually selling the boxes. Now they predict demand for subsidized boxes will be closer to 8 million, and I think the FCC estimates over-the-air cable and satellite homes and broadcasters, estimates of interest, there should be a demand for 22 million subsidized converter boxes. So we have quite a discrepancy between the 22 million and the 8 million. And according to recent reports, fewer consumers will be using these analog television sets with over-the-air antennas by February 17, 2009. So perhaps fewer still will need the subsidy.

As Mr. Barton mentioned, the Nielsen estimates that only 13 percent of TV households, representing about 14 million homes, will rely exclusively on over-the-air antennas on January 1, 2008. So I think that is all good news. Furthermore, under the FCC rules, all television receivers manufactured since March 1, 2007, must be able to receive digital signals over the air.

So the combination of the new predictions, the combination of the FCC rules that are stated, I think when this actually occurs, there will be fewer consumers in need of this analog box because there will be less analog TV signals. And so I think that is all good news.

Not to mention that the National Association of Broadcasters has a great amount of, shall we say, something at stake here. They recently announced a $700 million PSA campaign for the DTV transition. This effort will encompass a broadcast network and 95 TV broadcasting companies and include TV spots, educational programs and banners on TV Web sites.

In addition, my colleagues, last month the cable industry announced it was launching a $200 million English- and Spanish-language TV advertising campaign that will run until February 2009. Spanish-language broadcaster Univision has begun airing 30-second PSAs explaining the DTV transition on its TV network, local TV stations, radio stations and online sites.

So, my colleagues, these examples demonstrate that market and nongovernment solutions to the DTV transition exist, they are working. The estimates are showing that it is coming down from the discussions we have had over a year ago. And I think that is all good news. But, as Mr. Barton, the chairman, talked about, if the Democrats want, they could move H.R. 608, the bill that he and Mr. Upton and Mr. Hastert introduced to replace consumer education requirements that were stripped from the original legislation by Senator Byrd in the Byrd rule. So we have a fallback. It is time to move on. The 24 MHz and 1 billion for public safety is too important to be squabbling about. So I think we have good news in the offing with the combination of the National Association of Broadcasters, these new estimates that are coming in, and the FCC's ruling, and I look forward to their testimony.

Thank you, Mr. Chairman.

Mr. MARKEY. The gentleman's time is expired.

The Chair recognizes the gentleman from Michigan Mr. Stupak.

OPENING STATEMENT OF HON. BART STUPAK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. STUPAK. Thank you, Mr. Chairman, and thank you for holding this hearing on the status of digital transition television or digital television transition. It is important that we stay on top of this issue as we are just 16 months away from the hard date deadline for the transition from analog to digital across America.

More than 14 million households in the United States are completely dependent on free, over-the-air television. An estimated 41 percent of these households do not have the access or economic resources to switch to cable or satellite. Sixteen months is a very short time to handle such a significant transition. By relying so heavily on individual private interest to carry out the public service of consumer education, I believe we risk confusing Americans without uniformity in how the transition message is delivered.

Consumer education is only part of the problem. Once they are properly notified, how will consumers in rural areas receive these converter boxes? Unlike Mr. Green, we don't have these big box stores that he speaks of. Rural communities like the district I represent cover a lot of territory, are sparsely populated, and are disproportionately dependent on analog transmission. If the experience of broadband deployment is any indicator, corporations driven by profit will not take into account the needs and challenges of rural consumers.

Despite my concerns, I also realize that transition from analog to digital television holds tremendous promise if properly implemented. By freeing up the spectrum, hopefully rural America can begin receiving broadband where none exists thanks to new wireless technologies. Entry into the market will be less cost-prohibitive, and we can begin closing the digital divide. In addition, first responders will be able to move into the newly unoccupied spectrum, which they will use to work towards interoperability. However, the equipment for this transmission is expensive, with costs estimated to be over $20 billion. But once completed, it will make our Nation safer.

I have introduced H.R. 3116, the Public Safety Interoperability Implementation Act, which would create a trust fund for public safety agencies from the spectrum auction proceeds. Public safety is far too important and for far too long have been shortchanged. And so with the spectrum, but without proper equipment and infrastructure, there really is no value to law enforcement. I look forward to working with the Chairman in advancing my legislation.

Mr. Chairman, thank you for holding today's hearing. I look forward to the testimony of our witnesses. I know many of us will be jumping back and forth because the FISA bill is on the floor today. I look forward to participating in this hearing as much as possible. Thank you, Mr. Chairman.

Mr. MARKEY. The gentleman's time has expired.

We also have with us the gentlelady from Tennessee Mrs. Blackburn, who has joined us, although she is not a member of the subcommittee. Would you like to make an opening statement?

Mrs. BLACKBURN. Mr. Chairman, I will waive.

Mr. MARKEY. Then the gentlelady will waive her opening statement.

But I see arriving is the gentleman from Illinois Mr. Rush. And I would inquire as to whether or not he would like to make an opening statement at this time.

Mr. RUSH. Mr. Chairman, I will waive.

Mr. MARKEY. The gentleman from Illinois will waive as well.

Any additional statements for the record will be accepted at this time.

[The prepared statements follow:]

PREPARED STATEMENT OF HON. EDOLPHUS TOWNS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Thank you, Chairman Markey and Ranking Member Upton. I am very pleased that the subcommittee is holding this hearing. These oversight hearings allow us to keep the pressure on and make sure the DTV transition is handled smoothly because the benefits of transitioning are enormous, opening up desperately needed spectrum for first responders. I believe my constituents will support this transition if they are properly educated on how to keep their TV signal, if they feel they are treated fairly, if they know their Government is behind them, and they know why it's important. I look forward to hearing from our witnesses on how they plan to handle the operations and contractors carrying this complicated effort out and on what other ways government or industry can take to prepare us.

I would like to welcome all of our witnesses today and congratulate them on their commitment to public service. I also want to make certain they know that this transition is a time in their careers when they can really shine. A smooth transition would be a crowning achievement that they could hang their hat on all their lives. Government agencies, industry, and public interest groups should work hand in hand so that they all have the right information they need to target the populations that are most vulnerable. I am particularly concerned with making sure seniors have the help they need to make the transition.

I am pleased to learn of the efforts of local broadcasters and cable companies to begin educating millions of American television viewers on the transition to digital television. They play an important role in providing my community with timely news and information and it is imperative that viewers not lose access to such a critical service.

Thank you, and I yield back the balance of my time.

PREPARED STATEMENT OF THE HON. LOIS CAPPS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, thank you for holding this important hearing and for keeping our subcommittee focused on the continued oversight of the digital television transition.

All of us on the subcommittee are fully aware of what will take place on February 17, 2009—but unfortunately our constituents are not.

For those constituents who hear of the transition and attempt to make inquiries, the answers they receive can leave them even more confused.

That said, for the purposes of this hearing I would like to focus on the need for a comprehensive DTV transition strategy, the need for accountability, and the need to promptly address the concerns of the deaf and hard of hearing.

As GAO has reported, the lack of a comprehensive plan—or planning body—to oversee and implement various facets of the transition leaves our most vulnerable consumers at risk.

Over 20 million households will need to purchase at least one converter box, and yet if a consumer walked into a retailer today with questions about the conversion they would likely be given misinformation.

Where is the comprehensive plan to educate our consumers? Or to provide appropriate accountability mechanisms so that consumers are protected from misinformation and any potential glitches in the transition?

Lastly, I want to be sure that we do all that we can to ensure that populations with hearing and vision impairments are not left behind in this transition. To this end, I look forward to the testimony of Mr. Stout and to hearing his recommendations in this area.

Thank you again, Chairman Markey, for holding this hearing.

Mr. MARKEY. Let us turn to our very, very distinguished panel. First of all, I would like to apologize to you for the number of Members who have arrived, kind of in historic numbers, to make opening statements before the beginning of a hearing. You are wondering what is going on, I am sure, and it is very simple. "congressional expert" is an oxymoron. It is a contradiction in terms, like Salt Lake City night life. I mean, there is no such thing as a congressional expert compared to real experts.

However, on this one subject, a relationship between television sets and their constituents, Members of Congress are experts. This is one thing we all understand in our bones. And every Member wants each of you to understand how deeply we are immersed in ensuring that this digital television transition does not affect our constituents in a way that is adverse. And so we apologize to you, but that is something that you should understand in terms of how this panel, I think every Congressperson, will view this issue.

So we will begin with John Kneuer, who is the Assistant Secretary for Communications and Information at the National Telecommunications and Information Administration from the United States Department of Commerce. We welcome you back, Mr. Kneuer. Whenever you are ready, please begin.

STATEMENT OF JOHN M.R. KNEUER, ASSISTANT SECRETARY, COMMUNICATIONS AND INFORMATION, NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE

Mr. KNEUER. Thank you, Chairman Markey and Ranking Member Upton, members of the committee, for the opportunity to appear again before this committee.

I am pleased to report that NTIA is making great strides in accomplishing the task Congress laid out in the Digital Television Transition and Public Safety Act of 2005. As you know, the DTV Act required NTIA to establish and implement a program allowing eligible U.S. households to obtain up to two $40 coupons to be applied towards the purchase of digital-to-analog converter boxes. Now, when I last testified before this committee, NTIA's converter box program was in its earliest stages, and members of this committee appropriately asked important questions about how the program would ultimately unfold. Specifically members wanted to know who would be responsible for issuing coupons to consumers. Would manufacturers produce boxes to meet consumer demand? Would enough retailers participate in the program so that boxes would be widely available? And, most significantly, how could we possibly educate the American public with the $5 million made available for consumer outreach under the statute?

Today I am pleased to report that NTIA, in coordination with other Government agencies, and in collaboration with a broad array of market participants, service organizations and consumer advocacy groups, has made enormous strides to ensure that the converter box program is run effectively, that consumers will have widespread access to coupon-eligible converter boxes, that the television viewing public is well informed about the transition, and that those members of our society with special needs could access

the assistance they need to continue to have access to over-the-air television after the transition.

On August 15, NTIA awarded a contract to IBM to manage three broad functional aspects of our coupon program—systems processing, financial processing and consumer education and communications. Under the contract, IBM is leading a team of partners that includes Corporate Lodging Consultants, which is responsible for retailer management, coupon distribution, coupon redemption and payment; Epiq Systems, which is handling coupon distribution and consumer support; and Ketchum, Inc., a global public relations firm that is leading the consumer education program. Each of these companies has extensive experience in each of the functional areas and has successfully implemented large and complex national programs.

NTIA is on schedule to meet its obligations under the act, and beginning January 1, 2008 and continuing through March 31, 2009, consumers will be able to request two $40 coupons per household to purchase an approved DTV converter box.

We have also adopted rules to provide guidance to converter box manufacturers regarding the submission of test results and sample equipment for evaluation and certification. Pursuant to our regulations, certified converter boxes will possess performance features based on industry-accepted DTV standards as well as on FCC requirements for other television products.

The regulations required, for example, to NTIA-certified converter boxes comply with the FCC's parental control or V-Chip rule, emergency alert system rules, and closed-captioning requirements for converters. NTIA has certified Digital-to-Analog Converter Box models from multiple manufacturers, and equipment from other vendors is currently being evaluated and tested.

I am pleased with the number of manufacturers that have filed notices of intent and test submissions. I suspect more boxes will be certified over the weeks leading up to the transition, and a list of certified converter boxes, including make and model numbers, will be distributed with consumers with their coupons. We have also worked diligently with retailers to assure that consumers will be able to easily obtain converter boxes during the transition period.

NTIA is actively working to make the program accessible and attractive to a full range of retailers in order to gain participation not only from large chains but from regional outlets and small, independent local stores as well. This month alone, we will send out approximately 25,000 mailings to smaller retailers so they can be made aware of the program and they can have information on how they can participate.

At our public meeting and Expo on September 25th, Radio Shack, with 4,400 company-owned stores and 1,600 franchisees, announced they intend to participate in the program. In addition to stocking converter boxes, Radio Shack will train its sales associates on the coupon program, as well as engage in consumer education efforts both in the stores and on its Web sites. I expect other retailers will follow that lead.

With regard to consumer education and outreach, to maximize the value of our $5 million in consumer education funds, NTIA has been working through partnerships to leverage support from a di-

verse range of stakeholders. In particular, the industries most directly affected by the transition—the broadcast, cable and consumer electronics industries—are actively informing their viewers, subscribers, and customers about the February 17, 2009 transition date and the variety of options that consumers have to respond to it.

Last month, the National Cable and Telecommunications Association announced a $200 million campaign to raise consumer awareness. On Monday, the National Association of Broadcasters launched its marketing campaign, valued at nearly $700 million, which was intended to generate 98 billion discrete impressions with consumers. The Consumer Electronics Association is running radio spots and has developed consumer-friendly tools, including a video that helps consumers understand their options.

In addition to the broad public education campaign, NTIA recognizes that certain segments of society are more directly impacted by the DTV transition and may be least equipped to manage it on their own. Accordingly, we have identified five target groups for particular consumer education efforts: seniors, the economically disadvantaged, rural residents, people with disabilities, and minorities. These groups depend on over-the-air television to a greater extent than does the general population, and NTIA will carefully design and market-test its consumer education materials to ensure the materials are accessible to and can be easily understood by these target communities.

In addition, we are working in partnership with trusted intermediaries for these groups in order to get the word out and to provide help in obtaining and in installing converter boxes. By educating those groups and service organizations that already reach and assist these targeted communities, we will maximize available resources to ensure that DTV transition assistance gets to those who need it most.

Working together in a broad public-private partnership, including NTIA, the FCC, more than a dozen Federal Government departments and agencies, market participants, and literally hundreds of nonprofit and service organizations, I am confident that we as a nation will conclude this transition smoothly, that consumers will be well-informed, and that financial and other assistance will be available to those who need it.

Thank you, and I will look forward to your questions.

[The prepared statement of Mr. Kneuer follows:]

Testimony of John M. R. Kneuer
Assistant Secretary for Communications and Information
National Telecommunications and Information Administration
U. S. Department of Commerce

Before the
Committee on Energy and Commerce
Subcommittee on Telecommunications and the Internet
United States House of Representatives

Hearing on
The Digital Television Transition

October 17, 2007

Mr. Chairman and Members of the Committee, thank you for this opportunity to testify before you today. I am pleased to report that the National Telecommunications and Information Administration (NTIA) is making great strides in accomplishing the tasks laid out by Congress in the Digital Television Transition and Public Safety Act of 2005 ("DTV Act" or "Act"). The Digital-to-Analog Converter Box Coupon Program has been established, consumer education efforts are increasing daily, and our collaboration with public and private sector organizations is expanding to ensure that all Americans will be prepared for the digital transition.

NTIA Continues to Make Significant Progress in Fulfilling the Requirements of the DTV Act

As you know, the DTV Act required NTIA to establish and implement a program allowing eligible U.S. households to obtain up to two coupons of $40 each to be applied toward the purchase of digital-to-analog converter boxes that will convert digital broadcast signals for display on analog television sets. NTIA is on schedule to meet its

obligations under the Act. Beginning January 1, 2008, and continuing through March 31, 2009, consumers will be able to request up to two $40 coupons per household to purchase an approved DTV converter box.

The application process will be simple and straightforward, and will respect individual privacy. The coupon application asks for only the information necessary to fulfill the request, *i.e.*, the requestor's name, address, and the number of coupons requested. The only other question NTIA will ask is whether the household receives an over-the-air signal or subscribes to a pay service. Applications will be widely available. Consumers can request them online, over the phone, via fax, or through the mail. In addition, participating libraries will stock the applications, and library employees will help patrons fill them out.

While much work remains to be done, NTIA has nevertheless made great strides toward ensuring the success of the Coupon Program and with it, the success of the DTV transition. As detailed more fully below, we have awarded and are currently implementing a major contract for Coupon Program operational support. We have also built the infrastructure to ensure that technically-reliable, coupon-eligible converter boxes are available to consumers when coupon issuance begins. NTIA is also working in collaboration with our partners in the public and private sectors, and we have made great progress in planning and beginning to implement the campaign to educate consumers about the DTV transition and the Coupon Program.

A Strong Foundation for Program Support has been Established

To procure the expert assistance needed to administer the diverse operational elements associated with the Act's requirements, on August 15th, NTIA awarded a contract to IBM to manage three broad, functional aspects of the Coupon Program: (1) systems processing (*e.g.,* determining consumer eligibility, distributing and activating coupons, certifying retailers, and providing training materials); (2) financial processing (*e.g.,* administering the processes to authorize coupons for redemption and ensure payment to retailers, and performing independent auditing); and (3) consumer education and communications. Under the contract, IBM is leading a team of partners that includes Corporate Lodging Consultants, which is responsible for retailer management, coupon redemption and payment; Epiq Systems, which is handling coupon distribution and consumer support; and Ketchum, Inc., a global public relations firm that is leading the consumer education program. Each of these companies has extensive experience in its functional areas and has successfully implemented large and complex national programs.

The contract is performance-based. NTIA has specified Program requirements while allowing IBM to determine how best to achieve those outcomes. Payments are tied to IBM's satisfactory accomplishment of certain milestones. NTIA is working in close coordination with IBM's team to ensure that Program goals are met in a timely manner and according to agreed upon quality standards. The total contract amount is $119,986,468, which includes $84,990,343 for the initial phase and $34,978,125 for a

contingent phase provided for in the DTV Act.

NTIA and IBM are working diligently to ensure that the Program is operational and ready to accept consumers' applications for coupons on January 1, 2008. In addition, as discussed below, we are also working closely with broadcasters, consumer electronics manufacturers, retailers, and the Federal Communications Commission ("FCC" or "Commission") to ensure that consumers will have access to reliable converter boxes when coupons become available.

The Framework to Ensure Availability of Converter Boxes is in Place

Testing and Certification

NTIA has adopted rules to provide guidance to converter box manufacturers regarding the submission of test results and sample equipment for evaluation and certification. Those rules require manufacturers to provide notice of their intention to provide converter boxes for review and certification. Upon receipt of such a notice, NTIA accepts test results from each manufacturer to evaluate whether the manufacturer's testing meets NTIA's specifications.

Pursuant to a Memorandum of Understanding between the agencies, the FCC is providing testing services to evaluate the converter boxes prior to their certification by NTIA. Once NTIA has determined that a manufacturer's own testing meets our

specifications, the manufacturer submits a sample converter unit for independent testing by the FCC laboratory, which assesses the equipment against all twenty-four of the specifications in NTIA's Final Rule. This process is modeled on the recommendations of consumer electronics manufacturers along with broadcasters who want to make sure viewers have reliable television service using converters.

NTIA last month certified two digital-to-analog converter box models to be manufactured by Digital Stream Technology, Inc., and equipment from other vendors is presently being evaluated. I am pleased with the number of manufacturers that have filed Notices of Intent and test submissions, and I expect more boxes will be certified over the weeks leading up to the transition. A list of certified converter boxes, including make and model numbers, will be maintained by NTIA and will be distributed to participating retailers and available to consumers.

Pursuant to NTIA's regulations, certified converter boxes will possess performance features based on industry-accepted DTV standards as well as some of the FCC requirements for television products. The regulations require, for example, that NTIA-certified converters comply with the FCC's parental control or V-Chip rule, emergency alert system rule, and closed-captioning requirements for converters. NTIA's rules for the Program also permit (but do not require) converter boxes to include certain features that might improve converter performance in certain conditions or for certain segments of the audience (*e.g.*, a "smart antenna" port to enable consumers to connect an electronically tuned antenna for better reception; "pass through" of the analog signals that

television translator stations will continue to broadcast in rural areas; and inclusion of a patented BTSC audio feature that enhances audio and supports new services such as video description). Software downloads and compliance with ENERGY STAR standards are also encouraged as permitted features.

Retailers

NTIA has also worked diligently with retailers to ensure that consumers will be able to easily obtain converter boxes during the transition period. At our Public Meeting and Expo on September 25th, RadioShack – with 4,400 company-owned stores and 1,600 franchisees – announced that it intends to participate in the Coupon Program and that it will likely be ready to serve consumers on January 1st. In addition to stocking the converter boxes, RadioShack will train its sales associates on the transition and the Coupon Program, as well as engage in consumer education efforts both in stores and on its websites. As with manufacturers, I expect other retailers to follow RadioShack's lead and sign up to participate in the Coupon Program.

NTIA is actively working to make the Program accessible and attractive to a full range of retailers in order to gain participation not only from large chains, but from regional outlets and small, independent local stores as well. The Coupon Program will offer a choice of six different coupon redemption alternatives that will enable even the smallest retailers to participate. The options allow authorization and redemption to take place through existing credit card systems, online, or by phone. While some retailers have

indicated that they would not be able to modify their sales systems or change inventory until after the end of the holiday season in mid-January, with the announcement by RadioShack, I am hopeful that other retailers will also find it in their interests to join the Program now, order inventory, and be ready to serve customers in early 2008.

Certifying retailers is an important step in preventing waste, fraud, and abuse in the Program. Accordingly, NTIA's contract with IBM requires IBM to monitor retailer involvement in order to minimize waste, fraud, and abuse. IBM will provide NTIA with timely information about coupon distribution, redemption, and retailer payment activities to be able to detect anomalous consumer or retailer behavior and other "red flags" in the operations.

Consumer Education Initiatives Are Well Underway with Strong Support from Public and Private Sector Partners

General Education Efforts

As I have said before, the success of the transition will be judged by how smoothly and efficiently it occurs, which will depend to a critical extent on effective outreach to consumers. NTIA has begun its efforts to educate consumers about the transition well ahead of the January 1, 2008, start date for the Program.

To maximize the value of the $5 million in consumer education funds provided for in the Act, NTIA has been working through partnerships to leverage support from a diverse

range of stakeholders. In this regard, I would like to acknowledge the support NTIA has received from its many nonprofit, industry and government partners that have stepped up to the plate to help inform consumers about the digital transition.

In particular, the industries most directly affected by the transition — the broadcast, cable and consumer electronics industries — are actively informing their viewers, subscribers and customers about the February 17, 2009, transition date and the variety of options consumers have to respond to it. Last month, the National Cable and Telecommunications Association (NCTA) announced a $200 million campaign to raise consumer awareness. On Monday, the National Association of Broadcasters (NAB) launched its marketing campaign. The Consumer Electronics Association (CEA) has also been running radio spots and has developed consumer-friendly tools, including a video that helps consumers understand their options to make the transition.

As reflected in the discussion of our partnerships that follows below, many other organizations are also contributing to the transition education effort in personnel time and other resources. Thus, this combined NCTA and NAB investment represents only a subset of the total private sector contribution going to support the DTV transition.

These industry leaders, as well as the Association of Public Television Stations (APTS), AARP, and the Leadership Conference on Civil Rights, among others, came together in February to launch the DTV Transition Coalition. NTIA has worked actively with the Coalition since its inception. Now over 160 members strong, the Coalition is working to

ensure that no consumer is left without broadcast television due to a lack of information about the transition. The Coalition website (www.dtvtransition.org) includes a DTV Quiz to help consumers sort out whether they need to take any action before February 17, 2009, and, if so, the choices available to them.

NTIA Education Efforts

On September 25th, NTIA hosted a DTV Public Meeting and Expo to discuss progress in educating the public about the Coupon Program. The Public Meeting focused on NTIA's partnerships in the digital transition and featured two CEO-level panels from the affected industries and leading stakeholders in the transition. The technology Expo included exhibits and demonstrations from over a dozen companies and organizations featuring products and services to enable consumers to make a smooth digital transition. Attendees had the opportunity to see first-hand that the sharper picture, multicasting, and basic channel guide available with digital television deliver a richer viewing experience to over-the-air broadcast consumers than they currently receive from analog service.

While some viewers will purchase new digital television sets to take advantage of these features, NTIA recognizes that many other consumers will want or need to keep their existing analog televisions and continue to receive free over-the-air broadcast programming. For this group, the Expo was their first opportunity to view the converter boxes, and the response was very positive. NTIA will continue to focus its consumer education efforts on households that rely on over-the-air television, to inform them about

the government assistance available to defray the cost of digital-to-analog converter boxes.

Targeted Education Activities

As we reported to the Committee in July, NTIA has identified five target groups for particular consumer education efforts: (1) seniors; (2) the economically disadvantaged; (3) rural residents; (4) people with disabilities; and (5) minorities. These groups depend on over-the-air television to a greater extent than does the general population, and NTIA will carefully design and market-test its consumer education materials to ensure that the materials are accessible to, and can be easily understood by, these target communities.

NTIA is working in partnership with trusted intermediaries for these groups in order to get the word out and to provide help in obtaining and installing converter boxes. In addition, as I mentioned, the global public relations firm Ketchum will develop and implement the consumer education program to drive awareness of the Coupon Program. Ketchum's recent work informing vulnerable communities about key Federal programs has given it deep experience working with many of our target populations.

Seniors

America's seniors make up a large percentage of consumers served by governmental, social service, commercial, and non-profit organizations. NTIA is leveraging

relationships with these organizations to reach the senior constituencies that they serve. For example, NTIA is in discussions with the Administration on Aging (AoA) of the U.S. Department of Health and Human Services (HHS) to capitalize on the agency's credibility and reputation for meeting the needs of seniors and their caregivers through a variety of home and community-based services. These discussions focus on a variety of activities to ensure that seniors, especially those with language barriers or located in remote or rural locations, know about and understand the Coupon Program. They also encompass various outreach strategies that include working in partnership with AoA's national aging services network, which reaches into every state, tribe and community in the United States.

For almost a year, NTIA has also been collaborating very closely with AARP. Last month, NTIA participated in the AARP Members Convention in Boston, and AARP is highlighting the Coupon Program in its publications and online newsletters, which reach millions of its members. NTIA is also working with Retirement Living TV, a cable channel dedicated to entertaining, educating and empowering seniors. Early next year, Retirement Living TV will begin its nationwide, mobile "Retired & Wired: RLTV Digital Tour" to educate seniors about their digital television options including the Coupon Program. In partnership with the American Library Association, NTIA is distributing posters and coupon applications to participating libraries and training librarians to help patrons, especially seniors, fill out coupon applications.

In addition to these groups, NTIA also has reached out to establish partnerships with

other organizations including SeniorNet, an organization that supports about 200 senior learning centers across the country; the National Caucus and Center of Black Aged, Inc.; and the National Indian Council on Aging. At the end of October, NTIA will participate in the National Hispanic Council on Aging Conference and distribute Spanish-language materials about the transition. Finally, last month at our DTV Public Meeting and Expo, Best Buy and Family, Career and Community Leaders of America (FCCLA) came together to announce a partnership in which students in 7,000 chapters across the country will be awarded prizes to develop creative ways to assist elderly and rural populations to apply for coupons. These voluntary efforts will likely proliferate as the transition date approaches.

The Economically Disadvantaged

NTIA is working with the HHS's Administration for Children and Families to reach over 900 community agencies serving low-income families to alert them about the Coupon Program. Other non-profit community and social service organizations, including Catholic Charities, the Salvation Army, and Community Action Partners are already working with the Internal Revenue Service (IRS) to inform their constituents about the IRS's Earned Income Tax Credit, and these organizations have agreed to allow NTIA to use their existing communications channels to distribute information about the Coupon Program. Finally, NTIA is also in discussions with U.S. Department of Agriculture's (USDA) Food and Nutrition Service (FNS) to include Coupon Program materials in communications that go to prospective Food Stamp recipients.

Rural Residents

NTIA will collaborate with the Appalachian Regional Commission to distribute information packets about the transition to 70 councils of government and local development districts representing 23 million people in 410 counties (42 percent rural). This month, NTIA will participate in the Rural Telecommunications Congress Conference in Springfield, Illinois and will conduct a workshop for rural community leaders so they can spread the word about the Coupon Program locally. NTIA has also reached out to the USDA's Cooperative State Research, Education, and Extension Service to distribute information to extension offices nationwide, and we are in discussions with 4-H to enlist young people to volunteer in rural communities to assist people who may need this government assistance.

People with Disabilities

NTIA has been working with organizations such as the American Association of People with Disabilities (AAPD), Easter Seals, and the Northern Virginia Resource Center for Deaf and Hard of Hearing Persons (NVRC) to ensure the Program is accessible to Americans with disabilities. As noted above, NTIA's Program rules require that eligible converter boxes support closed-captioning services as mandated by FCC regulations. NTIA Program staff have met with a handful of disability groups, the FCC, and several converter box manufacturers to describe these closed captioning features and how to access them (either via a "cc" button on the remote control or via a menu feature). NTIA

recently participated in the Telecommunications for the Deaf and Hard of Hearing conference in San Francisco on August 24, 2007.

To reach the home-bound and those with special needs, NTIA will continue to reach out to private and public organizations that provide home health care, meals on wheels, senior day care, and other elder care services. At the DTV Public Meeting and Expo last month, the U.S. Department of Veterans Affairs (VA) announced that it would work with NTIA to ensure that digital transition information and Coupon Program applications are available in 155 VA hospitals and its 1,000 clinics. In addition, the VA will inform its 240,000 employees, 1 million volunteers, and more than 1 million veterans not served by the VA about the transition and Coupon Program.

Minority Communities

NTIA continues to expand its outreach efforts into minority communities. The NAACP and the Rainbow Push Coalition are together planning an extensive outreach strategy to the African American community, and last week, NTIA participated on a panel at the Congressional Black Caucus Telecommunications Issues Forum, "Navigating the Digital Era."

As I noted earlier, NTIA will participate later this month in the National Hispanic Council on Aging Conference and will distribute Spanish language materials about the transition. Last month, NTIA participated in the United States Hispanic Chamber of

Commerce's Annual Convention in San Juan, Puerto Rico, and informed Hispanic retailers about how they might participate in the Program and assist NTIA in raising awareness among their predominantly Hispanic customers. I applaud Univision for announcing on October 1 its national campaign to educate Hispanic viewers about the transition. Univision reaches 99 percent of Hispanic homes and will use both television and grassroots events and street fairs to educate Hispanics about the Coupon Program. Entravision Communications Corporation will also use its Spanish-language media assets, including TV and radio stations and outdoor billboards, to reach nearly 70 percent of Hispanics about the digital transition in 51 primary television station markets across the United States.

NTIA also has printed brochures and other information in five languages, in addition to English. Partnering with Panasonic and the Southeast Asia Resource Action Center, NTIA has translated Coupon Program information for distribution in Chinese, Korean, Vietnamese and Filipino communities. The Center will distribute information and will encourage the Cambodian-American, Laotian-American, and Vietnamese-American communities to use the Government's multilingual call center to apply for coupons. NTIA is pursuing partnership opportunities with Koahnic Broadcast Corporation to disseminate coupon information to Alaskan Native villages, as well as with Native Voice One to reach tribal reservations through radio communications.

Moreover, NTIA has extended this multi-lingual approach beyond its consumer education activities into the core of Program operations. Significantly, through an

established partnership with the Language Line, the call center that will support the coupon application process will be staffed by permanent employees possessing fluency in 23 languages and depth-of-language in more than 70 other languages.

Government Partnerships

NTIA has reached out to over 14 Federal government departments and agencies and is committed to leveraging the relationship these groups have with our target audiences to maximize the value of the Federal investment in this Program. As outlined above, we are already either actively collaborating or in discussions with the HHS, USDA, VA, and the IRS. Many of these contacts have resulted in clearly defined strategies to reach constituents served by these agencies. For example, NTIA is partnering with other government departments and agencies to use existing publications and electronic newsletters to insert coupon information in scheduled mailings, link to the coupon application form from their websites, and place coupon application forms at local social service offices.

In addition to these partnerships, NTIA will also leverage our relationships with other governmental agencies to extend the reach of our message. In particular, we will work with agencies that target the five target populations discussed above. NTIA is presently in discussions with the Social Security Administration; the White House Office of Faith-Based and Community Initiatives; the General Services Administration; and several agencies within the Department of Commerce.

Finally, as noted above, NTIA is also working in cooperation with the FCC to implement significant measures to increase awareness among the general public about the DTV transition and the Coupon Program. Both the www.DTV.gov webpage and NTIA's website, www.ntia.doc.gov/otiahome/dtv/index.html, provide significant information about all aspects of the transition. To assist consumers who do not have Internet access, who are hearing impaired, or who simply prefer to receive information about the Coupon Program over the telephone, NTIA has also established a toll free number, 1-888-DTV-2009.

I encourage the Members of this Committee, and all of Congress, to help us in this important effort by linking your own websites to these consumer education materials. Moreover, NTIA has also distributed copies of Coupon Program brochures – in both English and Spanish – to every member of the House and Senate. We have distributed these materials widely to community organizations, constituency groups, and industry stakeholders. We hope they will assist you in keeping your own constituents informed about the transition and the Coupon Program.

Conclusion

NTIA recognizes the risks and potential pitfalls associated with a consumer education campaign of this magnitude; but the solution is not the establishment of a single digital transition authority or single, government-mandated message. Broadcasters, cable and

satellite service providers, consumer electronics manufacturers and retailers, and consumer advocates have as important a role to play in educating consumers as any government agency does, and as great an incentive to become involved. A multiplicity of messages and sources of information is critical to a well-informed consuming public. The stakeholders in the transition are in the forefront of the education effort through their individual commitments as well as collaborations like the Digital TV Transition Coalition.

In conclusion, I want to thank the Committee for the opportunity to testify before you again today. I will be happy to answer your questions.

Mr. MARKEY. Thank you, Mr. Kneuer, very much.

Our next witness is the Chairman of the Federal Communications Commission, Kevin Martin.

We welcome you back, and we enjoy working with you, and we thank you for being here today. Whenever you are ready, please begin.

STATEMENT OF KEVIN J. MARTIN, CHAIRMAN, FEDERAL COMMUNICATIONS COMMISSION

Mr. MARTIN. Good morning, Chairman Markey, Ranking Member Barton, Ranking Member Upton, and all of the members of the committee. Thank you for inviting me to be here today to talk about the digital transition.

Thank you, Chairman Markey, for the favorable comparison to Tom Brady. Except for, hopefully, my wife, I think you are the only person who might compare me to Tom Brady, but I appreciate the comparison nonetheless. With my athletic prowess, I thought a more apt comparison or analogy might be to our Red Sox manager, Terry Francona, but after last night's loss for our team, I am not sure that that is as good a comparison today.

I certainly am as mindful as you are that February 17, 2009 is only 16 months away, and I appreciate the opportunity to tell you what the Commission has been doing to try to prepare for this unprecedented event. I believe a successful completion of the digital transition depends upon minimizing the burdens placed on consumers and maximizing their ability to benefit from it. The Commission has taken some important steps to that end, but there is still more we need to do. Our efforts to date have been threefold:

First, we have been focused on getting the right policies in place to facilitate a smooth transition.

Second, we have been actively enforcing our roles to protect consumers.

Third, we have been promoting awareness of the transition through our consumer education and outreach efforts.

Through all of our activities, the Commission is committed to ensuring that no American is left in the dark. Now, our top priority has been to implement policies that will minimize the burden borne by consumers and maximize their opportunities to benefit from this upcoming transition.

First, the Commission acted to dramatically reduce the number of consumers who would need a converter box to view broadcast signals after the transition.

Second, we are resolving the main technical issues.

Third, we are employing our authority and industry's resources to conduct a far-reaching effort to inform consumers.

Finally, it is my hope that the Commission acts to encourage and to facilitate broadcasters' abilities to offer free additional changes so that DTV transition is a benefit rather than a burden to consumers.

The Commission recently adopted an order that guarantees that all cable customers will be able to watch all of the broadcast stations after the digital transition. Specifically, the Commission took action to ensure that cable operators continue to make signals of all broadcast stations viewable after the transition, as the must-

carry statute requires. With this action, we were able to significantly reduce the number of Americans potentially needing a converter box to watch broadcast stations post-transition.

Making sure that the almost 35 million households that subscribe to analog cable are taken care of allows us to focus all of our energies on assisting the nearly 15 million households that rely exclusively on over-the-air signals.

Now, in August of this year, the Commission also adopted the final DTV table of allotments. This order provided over 99 percent of the full power television stations across the country with their final digital channel assignment. Today, 95 percent of all television stations are already broadcasting in digital.

In April of this year, the Commission also adopted a labeling order that required sellers of analog-only televisions to disclose that at the point of sale. Retailers must state that the TVs include only an analog tuner and, therefore, will require a converter box to receive over-the-air broadcast television signals after February 17, 2009.

At the suggestion of Chairman Dingell and Chairman Markey, we initiated a DTV education notice of proposed rulemaking earlier this year. I recently circulated to my colleagues an order that would require the following: Broadcasters would use PSAs and screen crawls throughout the day to inform viewers about the transition. Broadcasters would also publicly report on these education efforts on a quarterly basis. MVPDs, cable operators and satellite operators would provide monthly inserts about the DTV transition in their customers' billing statements. Manufacturers of television receivers and related devices would provide notice of the upcoming transition to consumers when they are selling their equipment. All of the Commission's DTV partners would provide quarterly updates on their consumer education efforts. Finally, we would continue to work with NTIA to ensure that the retailers participating in the converter box program are appropriately training their employees and informing their consumers.

Finally, I believe that one policy action in particular could fundamentally change for the better the course of the digital transition. Broadcasters should be able to and be encouraged to use their digital spectrum to send multiple television signals to consumers for free. Right now, a broadcaster using analog technology transmits one programming stream, which we think of as a television channel. With the digital spectrum, broadcasters can put out not just one programming stream but several, so a broadcaster could broadcast two or three channels at the same time—for instance, a movie channel, a 24-hour news channel or a sports channel—with no additional cost to the consumer and no need for additional spectrum.

In short, multicasting enables broadcasters to provide consumers with more free television programming. I believe that the ability to view new broadcast channels would facilitate the transition by providing people with an incentive to get a converter box.

As things stand today, over-the-air consumers have the burden of purchasing a converter box just to maintain the status quo. This burden is probably why a majority of those aware of the transition think that the Government is on the wrong track, according to a

recent APTS survey. The message we have been sending is simply not appealing: You need to buy a new box or you will lose your TV altogether.

But what if we had a more positive message: If you get a new digital television or a converter box, you will be able to watch a wide array of new, free programming. Then what was a burden will become a meaningful benefit. The opportunity to enjoy more programming choices would give consumers an actual incentive to be excited about adopting digital technology, and the faster they get that technology, the fewer Americans there would be at risk of being left behind in the dark in the digital transition.

Now, this proposal is how it worked in Germany. In Berlin, the opportunity to receive more free channels drove people to proactively purchase converter boxes instead of viewing the need to do so as a burden. Before the transition, over-the-air viewers in Berlin received only 12 channels, but after the transition, they received 27. A German Government report analyzing the transition concluded that the switchover resulted in less protests than they had anticipated, in part because of the added value of receiving more services and channels.

Indeed, the GAO has also analyzed the Berlin transition and has made similar findings. Mr. Goldstein, who also has done a study on Berlin, concluded that the government industry and consumer representatives with whom we spoke mentioned several factors as contributing to the success of the Berlin DTV transition. These factors included the following:

The DTV transition provided enhanced consumer value for Berlin households as the number of channels available through terrestrial television increased from approximately 11 to 27, and it included an electronic programming guide. These new channels were available through terrestrial television, following the DTV transition, and they existed on cable and satellite systems. And there was good cooperation between the Government officials and industry, which helped ensure that the consumers all received these additional channels.

I believe that what worked in Germany could work here as well, and I have circulated a proposal to my colleagues that will help facilitate multicasting and will require cable companies to carry these additional multiple streams as free programming to consumers. And I am hopeful that a majority of the Commission will soon realize the potential benefit of this policy for the DTV transition.

Now, the Commission's DTV enforcement efforts have also focused on protecting consumers from the unknowing purchase of TVs without digital tuners. We are enforcing three rules: the requirement to label analog-only televisions; the prohibition on shipping analog-only televisions; and the requirement that the V-Chip function with digital technology.

With respect to labeling, our staff has inspected nearly 1,280 retail stores and Web sites, and we have issued nearly 280 citations, notifying retailers of violations. We have circulated among the commissioners notices of apparent liability against 14 retailers, for a total of over $3.5 million. We have also issued NALs against two companies for, apparently, shipping only analog televisions, receivers and equipment.

Finally, thanks to information referred to us by Chairman Markey, we have circulated NALs against three manufacturers for violating our V-Chip rules as well. The fines total over $11 million. One company had failed to include a V-Chip in the digital television altogether, while two others had made TVs whose V-Chips were not capable of being updated and adjusted to changes going forward.

The swift enforcement of all of our DTV-related rules is critical to protecting consumers, and our activities in this area will continue to be a priority.

Now, in addition to our policy and our enforcement activities, the Commission has been actively promoting consumer awareness of the upcoming transition. Given our current resources, we are prioritized, reaching consumers who are the least likely to be aware of the transition, including senior citizens, non-English speaking and minority communities, people with disabilities, low-income individuals, and people living in rural and tribal areas. We have focused our efforts on three primary activities: presenting DTV information at conferences and events; disseminating information via the news media; and partnering with industry, consumer and other groups to help facilitate the message.

Now, with respect to conferences and events, the Commission staff has been distributing DTV education materials at as many conferences as possible. In the last few months, we have attended or have participated in 30 conferences. Earlier this month, I spoke about the digital transition at a technology summit that was part of the Congressional Hispanic Caucus Institute, and we plan to participate in at least 30 more events this year. We are also utilizing the agents in the Commission's field offices around the country to expand the scope of our consumer education efforts. Representatives in each of our field offices have been targeting communities that risk getting left behind in the DTV transition. Through the work of our field agents, we are able to reach consumers in 36 States. We have distributed information to over 1,400 senior centers, senior organizations, community centers, and groups, and have given nearly 50 presentations.

Mr. MARKEY. Mr. Chairman, you are going to get a lot of questions. Is it possible that you could summarize?

Mr. MARTIN. Sure.

We anticipate providing information to over 2,000 organizations and making another 350 presentations just this year.

Obviously, I would ask that my full statement be entered into the record. With all of the rest of the activities that we have had ongoing, I think we are committed to devoting significant resources in facilitating the transition, continuing with our three-pronged approach of policy making, enforcement and consumer outreach, and we intend to take whatever actions are necessary to minimize the potential burden of the digital transition on consumers and to maximize the ability of consumers to benefit from it.

Thank you.

[The prepared statement of Mr. Martin follows:]

Written Statement

Of

The Honorable Kevin J. Martin
Chairman
Federal Communications Commission

Before the
Committee on Energy and Commerce,
Subcommittee on Telecommunications and the Internet
U.S. House of Representatives

October 17, 2007

Good morning Chairman Dingell, Chairman Markey, Ranking Member Barton, Ranking Member Upton, and Members of the Committee. Thank you for inviting me here today to talk to you about the digital transition. I am mindful, as are you, that February 17, 2009 is only 16 months away. I appreciate having the opportunity to tell you what the Commission has been doing in preparation for this unprecedented event. I have a brief opening statement and then I look forward to hearing your thoughts and answering any questions you may have.

Facilitating a smooth transition is not an easy task. As all major changes tend to be, the coming transition to digital television transmission is an exciting—but complicated—revolution.

While the benefits offered by digital technology are undeniable – such as movie quality picture and sound - so are the challenges.

When I last appeared before you, I explained that a successful completion of the digital transition depends upon minimizing the burdens placed on consumers and maximizing their ability to benefit from it. After all, our highest priority is protecting the American consumer. The Commission has already taken some important steps but there is still more we need to do.

We have been working both on our own and in coordination with industry, other governmental agencies, and consumer groups to advance the transition and promote consumer awareness. Our efforts have been three-fold. First, we have been focused on getting the right policies in place to facilitate a smooth transition. Second, we have been actively enforcing our rules to protect consumers. And, third, we have been promoting awareness of the transition through our consumer education and outreach efforts. Through all of our activities, the Commission is committed to ensuring that no American is left in the dark.

Policy Proceedings to Minimize the Burdens on Consumers

A successful completion of the digital transition depends upon ensuring that appropriate policies are in place to minimize the burden and cost borne by consumers and maximizing their opportunity to benefit from it. I would like to draw your attention to several important policy issues. First, the Commission acted to dramatically reduce the number of consumers who would need a converter box to view broadcast signals post-transition. Second, we are addressing technical issues related to the transition. Third, we are employing our authority and industry's resources to conduct a far-reaching effort to inform consumers. And, finally, it is my hope that the Commission acts to encourage and facilitate broadcasters' ability to offer additional free channels so that the DTV transition is a benefit rather than a burden to consumers.

Ensuring the Viewability of DTV by Cable Subscribers. The Commission recently adopted an order that guarantees that all cable customers will be able to watch all broadcast stations after the digital transition. Specifically, the Commission took action to ensure cable operators continue to make signals of all must-carry broadcast stations viewable after the transition, as the must carry statute requires. This action was important to ensure that cable subscribers are able to watch the same broadcast stations the day after the digital transition that they were watching the day before the transition.

With this action, we were able to significantly reduce the number of Americans potentially needing a converter box to watch broadcast stations post-transition. Making sure the almost 35 million households that subscribe to analog cable are taken care of allows us to focus all of our energies on assisting the nearly 15 million households that rely exclusively on over-the-air signals.

Resolving Technical DTV Issues. In August 2007, the Commission adopted the final DTV table of allotments. This order provided virtually all (over 99%) of full power television stations across the country with their final channel assignments for broadcasting in digital following the DTV transition. By resolving the remaining questions regarding broadcasters' allotments, the Commission helped ensure that the analog spectrum the broadcasters are vacating will be available as planned by 2009. This finality is important to ensuring a successful auction of this spectrum next year and the timely use of this spectrum for public safety and expanded wireless competition and innovation. Notably, 95% of all television stations are now broadcasting in digital.

DTV Consumer Education. In April 2007, the Commission adopted a *Labeling Order* that requires retailers to fully inform consumers about the DTV transition date at the point of sale. The Commission found that, at the point of sale, many consumers were not aware that analog-only TVs would not be able to receive over-the-air-television signals without the use of a digital-to-analog converter box after February 17, 2009. Accordingly, the Commission required sellers of television receiving equipment that does not include a digital tuner to disclose at the point-of-sale that such devices include only an analog tuner and therefore will require a converter box to receive over-the-air broadcast television after the transition date.

In addition to the *Labeling Order*, and at the suggestion of Chairmen Dingell and Markey, we recently initiated a DTV Education Notice of Proposed Rulemaking (NPRM). This NPRM sought comment on whether to require the industry to use bill inserts, public service announcements, and other techniques to educate consumers about the transition. I commend the industry for the recent consumer education campaigns that they have initiated. I believe that more can be done. I have circulated a proposal to my colleagues that requires broadcasters to use PSAs and screen crawls throughout the day to inform viewers about the transition and to publicly report on these education efforts on a quarterly basis. The item also requires MVPDs to provide monthly inserts about the DTV transition in their customer billing statements. The item also requires manufacturers of television receivers and related devices to provide notice to consumers of the transition's impact on that equipment. In addition, we require the partners listed on

the Commission's www.dtv.gov website to provide the Commission with quarterly updates on their consumer education efforts. Finally, the item states that we will work with the National Telecommunications and Information Agency (NTIA) to ensure that the retailers participating in the converter box program are appropriately training their employees and informing consumers. I hope and expect that the Commission will be able to adopt this *DTV Education Order* quickly.

Facilitating Multicast Broadcast Opportunities. Finally, I believe that one policy action in particular could fundamentally change for the better the course of the digital transition. The idea is simple: broadcasters should be able to, and be encouraged to, use the digital spectrum they already have to send multiple television signals to consumers for free.

Let me give you an example of what I am talking about. Right now, a broadcaster using analog technology transmits one programming stream, which we think of as a television channel. But with digital spectrum, technology enables broadcasters to put out not just one programming stream, but several. So, a broadcaster could broadcast 2 or 3 channels of programming all at the same time (i.e., a movie channel, a 24-hour news channel and a sports programming channel) with no additional cost to the consumer or need for additional spectrum. In short, multicasting enables broadcasters to provide more free television programming to consumers.

I believe that the ability to view new broadcast channels would facilitate the transition by providing people with an incentive to get a converter box. As things stand today, over-

the-air consumers must purchase a converter box (or buy a digital TV) just to maintain the status quo. They have the burden of purchasing new equipment just to ensure that their televisions will not go dark the day after the transition. Consumers will only gain in terms of new and improved services if they buy new expensive HDTV's. This burden that the digital transition places on consumers is probably why a majority of those aware of the transition think that the government is on the "wrong track" according to a recent APTS survey. The message that we have been sending is simply not appealing -- you need to buy a new box, or you'll lose TV altogether.

But what if instead the message to consumers was, "If you get a new digital television or a converter box, you will be able to watch a wide array of new free programming?" Then what was a burden for consumers becomes a meaningful benefit. The opportunity to enjoy more programming choices would give consumers an actual incentive to be excited about adopting digital technology. And, the faster that this technology is in consumers' homes, the less chance there is that Americans will be left in the dark after the digital transition.

This proposal is how it worked in Germany. In Berlin, the opportunity to receive more free channels drove people to proactively purchase converter boxes instead of viewing the need to do so as a burden imposed by their government. Before the transition, over the air viewers in Berlin received only 12 channels. After the transition, they received 27, more than twice as many. A German government report analyzing the transition concluded, "the switchover resulted in less protest than had been anticipated," in part

because of "[t]he added value of receiving more services." (Berlin Goes Digital, http://www.mabb.de/bilder/Projektbericht_engl.pdf.) I believe that what worked in Germany could work here as well.

The only way we can make this a reality, however, is if the cable companies are required to carry these additional channels. And, as is the case today, cable operators should be required to carry this free programming. In regulatory lingo this is called "multicast must carry." To date, the FCC has not required them to carry anything beyond a broadcaster's main signal. But as the courts have recognized, cable carriage is necessary for broadcast channels to survive. Today, there simply is not an economic model by which a broadcaster can support a free programming stream that reaches only over-the-air households. As a result, without the guarantee of cable carriage, broadcasters are not able to invest in creating a second or third free programming stream.

About 16 months ago, I circulated a proposal to my colleagues that would facilitate multicasting and require cable companies to carry these multiple streams of free programming to consumers. Unfortunately, this item remains pending today. Nevertheless, I remain hopeful that a majority of Commissioners will realize the potential this item has to minimize the burden that the DTV transition places on consumers and allow Americans to realize the full benefit of the digital transition.

Enforcement Activities

The Commission's DTV-related enforcement efforts have focused on protecting consumers from the unknowing purchase of television equipment without integrated digital tuners. Specifically, we are enforcing three rules: 1) the requirement to label any remaining televisions with analog-only tuners; 2) the prohibition on the importation and shipment of television receivers without integrated digital tuners; and 3) the requirement that the V-Chip functions with the digital technology.

With respect to the Commission's labeling requirement, the Commission has, as of October 15, 2007, inspected nearly 1280 retail stores and websites and issued nearly 280 citations notifying retailers of violations for failing to comply with our requirements. Because retailers are not licensees, we must give them a citation prior to issuing a Notice of Apparent Liability (NAL). When I testified before you in July, I mentioned that NALs were pending against seven large retailers for apparently violating the Commission's labeling requirements. These fines, in the aggregate, total over three million dollars. Since that time, we have circulated NALs to an additional seven retailers, totaling over $500,000. In addition, the Enforcement Bureau has issued another six NALs on delegated authority. It is my hope that through our vigorous enforcement actions, retailers will take concrete actions to avoid consumer confusion as the digital transition draws near.

In addition to our labeling investigations, we are continuing to ensure that no manufacturers are importing and shipping analog-only television receivers and equipment. In May 2007 we issued NALs against two companies - Syntax Brillian Corp.

(approx. $2.9 million) and Regent USA, Inc. ($63,650) - for apparent violation of our rules in this area. One of these companies has already paid the fine and we are working on a forfeiture order with respect to the other company. In addition, we are in the process of investigating potential violations against another two companies. I hope to quickly bring these matters to resolution. Although we continue to monitor importation logs and otherwise look for potential violations, we have not yet found any potential violations beyond these four companies.

Finally, we are ensuring that the digital tuners comply with the V-Chip regulations. As you know, the Commission's rules require digital television manufacturers to include the V-Chip in their equipment and to ensure that their devices can adjust to changes in the content advisory system. This past July, thanks to the information referred to us by Chairman Markey, we began investigating allegations that some manufacturers were not complying with our rules. As a result of these investigations, we have circulated NALs against three manufacturers, totaling over $11 million.

Swift enforcement of all our DTV-related rules is critical to protecting consumers and our activities in this area will continue to be a priority during the next 16 months.

Consumer Education and Outreach

In addition to our policymaking and enforcement activities, the Commission has been actively promoting consumer awareness of the upcoming transition through education and outreach efforts. Our overarching goal in these activities is to reach consumers who are likely to be unaware of the upcoming digital transition, including: 1) senior citizens; 2) non-English speaking and minority communities; 3) people with disabilities; 4) low-income individuals; and 5) people living in rural and tribal areas.

We have been employing a variety of methods to reach these communities. Specifically, we have been focusing our resources on three primary activities: attending conferences and hosting events, disseminating information via the news media, and partnering with industry, consumer, and other groups.

Conferences and Other Events. With respect to conferences and events, Commission staff has been attending as many conferences as possible to distribute DTV educational materials. For example, in the last few months we have attended and/or participated in 30 conferences including AARP's national convention, National Council of La Raza's national convention, Telecommunications for the Deaf and Hard of Hearing, Inc.'s biennial conference, and the National Association of Black Owned Broadcaster's convention. And, earlier this month, I spoke about the digital transition at the Technology Summit on DTV that was part of the Congressional Hispanic Caucus Institute

Conference. We plan to attend and participate in at least 30 more events and conferences to provide information about the digital transition this year.

We are also utilizing the agents in the Commission's field offices around the country to expand the scope of our consumer education efforts. Designated representatives in each our 24 field offices have been targeting communities that risk getting left behind in the DTV transition, such as senior citizens. Our field agents have been distributing information materials to senior centers, libraries and other venues. They then follow up these visits by giving DTV presentations to further inform these communities.

Through the work of our field agents, we are able to reach consumers in a total of 36 states – ranging from Alaska to Florida. We have already distributed information to over 1100 senior centers, senior organizations, and community groups and given nearly 50 presentations. We anticipate providing information to over 2000 organizations and making more than 350 DTV presentations by the end of the year. In addition to these "DTV Awareness Sessions" that the field agents are conducting in 36 states, other members of Commission staff are holding similar sessions in particular communities around the country. For example, we recently held a DTV Awareness session in Harlem, NY in partnership with the Harlem Consumer Education Council and we have over 10 more similar events planned this year in different states.

I also believe it is useful to coordinate with the groups representing the communities we are targeting. For example, last July we hosted, along with Native American Public

Media, an Indian Telecommunications Initiative Regional Workshop that focused on the digital transition. And, more recently, we held a DTV Workshop at Commission headquarters where we announced that we would host five additional events. Each of our upcoming workshops will be focused on a specific consumer segment that has been identified as being likely to be disproportionately impacted by the transition and least aware of it. These communities include the senior citizens, minorities and non-English speakers, people with disabilities, low-income individuals, and those living in rural and tribal areas. Through a series of workshops in the upcoming months, we will specifically focus on how we can best reach and educate these groups of consumers. We have already announced dates for the first two of these workshops. On November 8, 2007, we will host a workshop dedicated to reaching senior citizens, and on December 4, 2007, we will host a workshop geared towards reaching non-English speaking and minority communities.

We received several helpful suggestions from the workshop that we held last month. For example, we were asked to coordinate our consumer education materials with consumer groups before releasing them. We were also asked to take into the account the needs of people with disabilities in our outreach activities. We are already working to implement these and the other ideas that came out of our workshop. Receiving input such as this is important to facilitating a smooth transition. I hope that these additional workshops will help provide additional new ideas and enable us to strengthen existing partnerships and forge new ones.

News Media Activities. We are also working with the news media to highlight the upcoming transition in ongoing news coverage. Specifically, we are coordinating with a variety of media outlets including newspapers, broadcasters, and working with various members of the industry on public service announcements (PSAs).

Our efforts focus primarily on media that target specific at-risk populations. For example, senior citizens and Hispanic consumers, among others, are most likely to be disproportionately impacted by the transition. With respect to communicating with seniors, I was recently interviewed about the transition on AARP radio which is heard on over 170 outlets nationwide and has a listenership of over 1,000,000 people. Similarly, I gave an interview to the AARP Magazine which is running a story on the digital transition for its early 2008 issue. And, I also gave an interview to Erickson Tribune, a publication that reaches nearly 6 million seniors, for its story on the digital transition. I am also scheduled to be doing a PSA with Retirement Living TV, which targets its programming to senior citizens and reaches nearly 30 million homes nationwide.

Commission staff has also given interviews about the digital transition to various Hispanic media outlets. For example, the Hispanic Communications Network, which produces media campaigns for radio, television, print and Internet, taped an interview with Commission staff that will be distributed to its 230 member radio network in the United States and Puerto Rico. In the next few weeks, I will be doing an interview about the transition with Hispanics Today, the television network for the U.S. Hispanic

Chamber of Commerce. This program is broadcast nationally on the local NBC affiliate on 165 television stations, covering 84% of the Hispanic market.

And, we will soon be doing an on-air interview on the digital transition for Univision's national morning news program that will air nationally. This interview will be done with a Commission staffer recently hired to spearhead the Commission's digital television outreach to the Hispanic community.

Government, Industry, and Consumer Group Partnerships. The partnerships we have formed, and will continue to form, are a critical part of our consumer education and outreach efforts. We rely on these partnerships – which may be with government agencies, industry or consumer groups – to help us disseminate DTV education information and to inform us of event and conferences that are taking place where we can distribute materials and interact with consumers directly.

For example, we are working closely with NTIA on various transition-related issues. The Commission's Laboratory is providing technical review and testing services in support of NTIA's digital-to-analog converter box coupon program. This cooperation led to the recent approval of the first two DTV converter boxes.

We are also working with the U.S. Administration on Aging, which has a network of over 650 state and area agencies on aging, tribal elder organizations, and thousands of providers around the country who work with seniors and their caregivers on a daily basis. We are not only providing this network with DTV informational materials that can be

distributed nationwide, but we have also offered to partner with them to conduct joint presentations on the DTV transition throughout the country. Similarly, we are working with the Bureau of Indian Affairs which has agreed to disseminate DTV information packets to their members through their 50 offices nationwide.

Our government partnerships are not limited to the national level, however. We have contacted nearly 125 local Chambers of Commerce covering all 50 states and the District of Columbia as well as state and local-level consumers affairs and elderly departments. We have asked these organizations to help us distribute DTV information materials and link to www.dtv.gov on their webpage. We intend to continue pursuing such relationships to reach as many consumers as possible.

In addition to our government partnerships, we are partnering with the industry and consumer groups in a variety of ways. For example, we are a member of the DTV Transition Coalition. We have contacted nearly 250 organizations about the transition, asking how we can work with them to get the word out, and forwarding DTV informational materials. These include entities representing a host of communities ranging from veterans, to minorities, to schools.

Similarly, we have provided DTV outreach materials to our database of over 3,200 small business entities and other parties, including small, minority, and women-owned businesses. We send DTV information to our partners, explore opportunities for creating meaningful outreach strategies, and have worked to establish over 100,000 links to our www.dtv.gov website.

Another example of how we are coordinating with other entities is the two advisory committees – the Consumer Advisory Committee (CAC) and the Intergovernmental Advisory Committee (IAC) – that we recently chartered and instructed to focus their current terms on the digital transition. The CAC recently submitted recommendations to the Commission in our DTV Education proceeding. Though the work of these committees, the Commission will gain valuable insights that will further its goal of ensuring that all consumers are aware of the transition.

We also continue to work on updating our consumer educational materials. For example, we recently released a new consumer advisory geared to provide information to persons with disabilities. This advisory explains how closed captioning works with digital-to analog converter boxes. In this regard, I would like to mention that the Commission recently created a dedicated email box, closedcaptioning@fcc.gov, for inquiries relating to closed captioning. I hope this will make it easier for people with disabilities to get answers to the closed captioning questions they may have as the DTV transition progresses.

And, of course, all of our DTV materials, including this one, are readily available on our www.dtv.gov website or by calling our toll-free consumer line: 1-888-CALL-FCC.

Finally, last June we sent a package of DTV education materials to each of the 535 Congressional offices for members to distribute to their constituents. We recently

followed up on this communication by sending over additional materials and offering to make Commission staff available to participate and make DTV presentations at any local town hall meeting or other outreach events that members have planned with their constituents.

Conclusion

The Commission is devoting significant resources to facilitate a smooth transition. Nearly every Bureau and Office at the Commission has been involved in this effort including our field offices across the country. We will continue our three-pronged approach – policymaking, enforcement, and consumer outreach – during the next 16 months. We intend to take whatever actions are necessary to minimize the potential burden the digital transition could impose on consumers and maximize their ability to benefit from it. The Commission has already taken some important steps but there is still more that we need to do. The next 16 months will undoubtedly be challenging. Nevertheless, it is my hope that, with the right policies in place, American consumers will reap the rewards that the digital transition has to offer.

Mr. MARKEY. Thank you. Your entire statement, which looks voluminous, will be included in the record in its entirety.

Our final witness on this first panel, Mr. Mark Goldstein, is the Director of Physical Infrastructure Issues for the U.S. Government Accountability Office.

We welcome you, Mr. Goldstein. We appreciate your work on behalf of the subcommittee. Whenever you are ready, please begin.

STATEMENT OF MARK L. GOLDSTEIN, DIRECTOR, PHYSICAL INFRASTRUCTURE ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. GOLDSTEIN. Thank you, Mr. Chairman. I will be brief in the interest of time. I know you have a lot to do this morning yet.

Mr. Chairman and members of the subcommittee, I am pleased to be here today to report on our work on the progress made in the Nation's transition to digital television. We have a detailed report on the public and private sector efforts underway to implement the transition; that will be issued in November 2007. The findings that I am reporting to the subcommittee today are based on our draft report and, therefore, are preliminary.

In my testimony today, in particular I will discuss the progress made by Federal entities in conjunction with other stakeholders in facilitating the transition; the progress made in educating consumers about the transition; the progress made implementing a subsidy program for converter boxes; the technical issues facing the broadcast industry in meeting the transition; and the future work on the progress of the transition that we plan to undertake in the next 16 months.

In summary, No. 1, the FCC and the NTIA, in conjunction with other stakeholders, have taken steps to facilitate the transition. For example, the FCC has conducted periodic reviews to report on transition progress, and NTIA has issued a contract for administrating a converter box subsidy program. In addition, private sector industry have begun preparing for the transition. Despite public and private sector interaction designed to help facilitate the transition, however, we found that no comprehensive plan exists for the DTV transition. Without such a plan, meaningful guidance for coordinating responsibility and for measuring progress might not be available to the private or public sector.

Two, several Federal and private sector stakeholders have begun consumer outreach and education campaigns with both independent and coordinated efforts underway. The FCC and NTIA have developed informational materials and have begun direct outreach to consumer groups. In addition, private industry stakeholders have created the DTV Transition Coalition and are voluntarily conducting outreach efforts. However, these efforts are in the planning stages for the most part, and challenges remain. An expert panel that we convened identified potential challenges in key practices for our consumer education campaign, such as defining goals and objectives and establishing metrics to measure success.

Three, NTIA has made progress in implementing the converter box subsidy program, but the program's outcome depends on the voluntary participation of retailers and manufacturers. The retailers we contacted expressed concerns about the possibility of a re-

demption system that would affect their point-of-sale systems, and they stated they would need more information on IBM's technical solution before they could assess the impact on their systems and whether it would affect their participation. With limited or delayed retailer participation, consumers might face difficulties in redeeming their coupons for eligible converter boxes.

Four, although most television stations already transmit a digital signal, technical and coordination issues such as antenna replacement and tower construction may present challenges for broadcasters in preparing for the DTV transition. In addition, cable and satellite television providers must coordinate with broadcasters to ensure that they can continue to receive and to transmit the digital broadcast signals after the transition. Further, select stations that retransmit television signals, known as "translator stations," are not required to cease analog broadcasting. These stations may choose to retransmit a digital signal or they may convert the digital signal to analog and continue to broadcast in analog after February 2009.

Five, we plan on reporting on the progress of the DTV transition, including public and private efforts in facilitating the transition; the status of consumer education and awareness about the transition; IBM and NTIA's administration of the converter box subsidy program; and industry technical preparations throughout the upcoming transition period.

For example, we will continue to monitor consumer education programs and plan to conduct a series of consumer surveys throughout the year prior to the transition date. The surveys we conduct will be aimed at determining the population that will be affected by the transition and the public awareness of the transition. Throughout the transition process, we will continue to monitor Government and industry consumer education efforts, and will analyze the efforts compared with key practices for consumer outreach. In addition, we plan to survey broadcasters on the technical issues that must be addressed prior to the transition date.

Mr. Chairman, this concludes my statement. I would be happy to respond to any question that you or any member of the subcommittee may have.

[The prepared statement of Mr. Goldstein follows:]

United States Government Accountability Office

GAO

Testimony
Before the House Subcommittee on Telecommunications and the Internet

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DIGITAL TELEVISION TRANSITION

Preliminary Information on Progress of the DTV Transition

Statement of Mark L. Goldstein, Director
Physical Infrastructure

GAO-08-191T

October 17, 2007

GAO

Highlights

DIGITAL TELEVISION TRANSITION

Preliminary Information on Progress of the DTV Transition

Why GAO Did This Study

What GAO Found

FCC and NTIA, in conjunction with other stakeholders, have taken steps to facilitate the DTV transition. For example, FCC has conducted periodic reviews to report on transition progress, and NTIA has issued a contract for administering the converter box subsidy program. In addition, private sector industries have also begun preparing for the transition. Despite public-private sector interaction designed to help facilitate the transition, we found that no comprehensive plan exists for the DTV transition. Without such a plan, meaningful guidance for coordinating responsibilities and measuring progress might not be available to the private or public sector.

Several federal and private stakeholders have begun consumer education campaigns. FCC and NTIA have developed informational materials and begun direct outreach to consumer groups. In addition, private industry stakeholders created the DTV Transition Coalition and are voluntarily conducting outreach efforts. However, these efforts are in the planning stages and challenges remain. An expert panel that GAO convened identified potential challenges and key practices for a consumer education campaign.

NTIA has made progress in implementing the converter box subsidy program, but the program's outcome depends on the voluntary participation of retailers and manufacturers. Retailers we contacted expressed concerns about the possibility of a redemption system that would affect their point-of-sale systems and stated they would need more information on IBM's technical solution before they could assess the impact on their systems and whether it would affect their participation. With limited or delayed retailer participation, consumers might face difficulties in redeeming their coupons for eligible converter boxes.

Most television stations already transmit a digital signal, but technical and coordination issues, such as antenna replacement and tower construction, may present challenges for broadcasters. In addition, cable and satellite television providers must coordinate with broadcasters to ensure that they can continue to receive and transmit the digital broadcast signals. Further, certain stations that retransmit the television signals, known as translator stations, are not required to cease analog broadcasting. These stations may choose to retransmit a digital signal, or they may convert the digital signal to analog and continue to broadcast in analog after February 2009.

We plan on reporting on the progress of the DTV transition, including the status of consumer education and awareness about the DTV transition, IBM and NTIA's administration of the converter box subsidy program, and industry technical preparations throughout the upcoming transition period. We will continue to monitor government and industry consumer education efforts and plan to analyze the efforts compared with key practices for consumer outreach. In addition, we plan to survey broadcasters on the technical issues that must be addressed prior to the DTV transition date.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to report on our work on the progress made in the nation's transition to digital television (DTV). We have a detailed report on public and private sector efforts underway to implement the transition that will be issued in November 2007. The findings that I am reporting to the Subcommittee today are based on our draft report and are therefore preliminary.

A primary goal of the DTV transition is for the federal government to reclaim spectrum[1] that broadcasters currently use to provide analog television signals. The spectrum that the federal government will reclaim at the end of the transition is considered highly valuable because of its particular technical properties. In all, the DTV transition will free up 108 megahertz (MHz) of spectrum. The Federal Communications Commission (FCC) has reallocated 24 MHz of the spectrum that will be recovered for public safety purposes, which became a higher priority following the terrorist attacks of September 11, 2001. FCC will auction the remaining spectrum for commercial purposes, with the resulting proceeds allocated for, among other things, reducing the federal deficit.

The Digital Television Transition and Public Safety Act of 2005 mandates the cessation of analog television broadcast signals on February 17, 2009. After that date, households who view television on analog sets solely through the reception of over-the-air signals must take action to ensure that they have the necessary equipment, such as a digital-to-analog converter box, or subscription video service to be able to view the digital broadcast signals. If they do not take such action, they will lose the ability to view the digital signals on their analog sets; i.e., they will not be able to watch television programs. The act also directed the National Telecommunications and Information Administration (NTIA) to establish a $1.5 billion program through which households can obtain coupons for the purchase of digital-to-analog converter boxes. NTIA issued a final rule that adopted regulations to implement the converter box subsidy program, and in August 2007, selected IBM Corporation (IBM) to administer the

[1]The radiofrequency spectrum is the part of the natural spectrum of electromagnetic radiation lying below 300 gigahertz. It is the medium that makes possible wireless communications, including cellular and paging services, radio and television broadcasting, radar, and satellite-based services.

program. Beginning January 1, 2008, households can request up to two $40 coupons toward the purchase of eligible[2] digital-to-analog converter boxes.

Although it is unclear what percentage of households who rely exclusively on over-the-air broadcasts have analog sets, potentially millions of those households stand to be left without any television service unless they take action. To help the public understand the DTV transition and the various options they have, consumer education and awareness programs are underway and additional programs are being planned.

My testimony today will focus on progress made in the DTV transition. In particular, I will discuss (1) the progress made by federal entities, in conjunction with other stakeholders, in facilitating the transition, (2) the progress made in educating consumers about the transition and any related challenges, (3) the progress made in implementing a subsidy program for converter boxes and any related challenges, (4) the technical issues facing the broadcast industry in meeting the transition, and (5) future work on the progress of the DTV transition that we plan to undertake.

To meet these objectives, we reviewed government documents and interviewed officials with FCC and NTIA, the steering committee members of the Digital Television Transition Coalition, as well as a wide variety of industry and other private stakeholders, such as broadcasters, satellite television providers, cable companies, manufacturers, retailers, industry associations, and consumer advocacy groups. Further, we consulted strategic communications experts representing public, private, and academic organizations to identify potential challenges that might obstruct consumer education efforts, as well as key practices for consumer outreach campaigns. We reviewed FCC and NTIA rules and proposed rule-makings related to the digital television transition, and the comments they received in response to the proposed rule-makings. Finally, we reviewed NTIA's request for proposals for administering the converter box subsidy program, and related contract documents. We performed our review from January 2007 through October 2007 in accordance with generally accepted government auditing standards. We discussed this testimony with FCC and NTIA officials and incorporated their comments where appropriate.

[2]NTIA established technical and performance specifications that converter boxes must meet to be eligible for the coupon program.

In summary:

- FCC and NTIA, in conjunction with other stakeholders, have taken steps to facilitate the DTV transition. For example, FCC has conducted periodic reviews to report on transition progress, and NTIA has issued a contract for administering the converter box subsidy program. In addition, private sector industries have also begun preparing for the transition. Despite public-private sector interaction designed to help facilitate the transition, we found that no comprehensive plan exists for the DTV transition. Without such a plan, meaningful guidance for coordinating responsibilities and measuring progress might not be available to the private or public sector.

- Several federal and private stakeholders have begun consumer education campaigns, with both independent and coordinated efforts underway. FCC and NTIA have developed informational materials and begun direct outreach to consumer groups. In addition, private industry stakeholders created the DTV Transition Coalition and are voluntarily conducting outreach efforts. However, these efforts are in the planning stages, and challenges remain. An expert panel that we convened identified potential challenges and key practices for a consumer education campaign, such as defining goals and objectives and establishing metrics to measure success.

- NTIA has made progress in implementing the converter box subsidy program, but the program's outcome depends on the voluntary participation of retailers and manufacturers. Retailers we contacted expressed concerns about the possibility of a redemption system that would affect their point-of-sale systems and stated they would need more information on IBM's technical solution before they could assess the impact on their systems and whether it would affect their participation. With limited or delayed retailer participation, consumers might face difficulties in redeeming their coupons for eligible converter boxes.

- Although most television stations already transmit a digital signal, technical and coordination issues, such as antenna replacement and tower construction, may present challenges for broadcasters in preparing for the DTV transition. In addition, cable and satellite television providers must coordinate with broadcasters to ensure that they can continue to receive and transmit the digital broadcast signals after the transition. Further, select stations that retransmit television signals, known as translator stations, are not required to cease analog

broadcasting.[3] These stations may choose to retransmit a digital signal, or they may convert the digital signal to analog and continue to broadcast in analog after February 2009.

- We plan on reporting on the progress of the DTV transition, including public and private efforts in facilitating the transition, the status of consumer education and awareness about the DTV transition, IBM and NTIA's administration of the converter box subsidy program, and industry technical preparations throughout the upcoming transition period. For example, we will continue to monitor consumer education programs and plan to conduct a series of consumer surveys throughout the year prior to the transition date. The surveys we conduct will be aimed at determining the population that will be affected by the DTV transition and public awareness of the transition. Throughout the transition process, we will continue to monitor government and industry consumer education efforts and analyze the efforts compared with key practices for consumer outreach. In addition, we plan to survey broadcasters on the technical issues that must be addressed prior to the DTV transition date.

Background

The DTV transition will enable the government to allocate valuable spectrum from analog broadcast to public safety and other purposes. Further, digital transmission of television signals provides several advantages compared to analog transmission, such as enabling better quality picture and sound reception as well as using the radiofrequency spectrum more efficiently than analog transmission. With traditional analog technology, pictures and sounds are converted into "waveform" electrical signals for transmission through the radiofrequency spectrum, while digital technology converts these pictures and sounds into a stream of digits consisting of zeros and ones for transmission.

The Digital Television Transition and Public Safety Act of 2005 addresses the responsibilities of two federal agencies—FCC and NTIA—related to the DTV transition. The act directs FCC to require full-power television stations to cease analog broadcasting on February 17, 2009. While full-power television stations are required to terminate their analog signals, this deadline does not apply to translator television stations. Translator stations receive a signal from a television station and simultaneously

[3]There are approximately 5,000 translator stations throughout the U.S., most of which operate in the mountainous western regions of the country.

retransmit the signal on another channel. These stations are intended to provide service to areas where direct reception of full-service broadcast stations is unsatisfactory because of distance or terrain obstructions, such as in mountainous regions.

As we have previously reported, households with analog televisions that rely solely on over-the-air television signals received through a rooftop antenna or indoor antenna must take action to be able to view digital broadcast signals after the termination of analog broadcasts. Options available to these households include (1) purchasing a digital television set that includes a tuner capable of receiving, processing, and displaying a digital signal; (2) purchasing a digital-to-analog converter box, which converts the digital broadcast signals to analog so they can be viewed on an existing analog set; or (3) subscribing to a cable, satellite, or other service to eliminate the need to acquire a digital-to-analog converter box. The act also directed NTIA to establish a $1.5 billion subsidy program through which households can obtain coupons toward the purchase of digital-to-analog converter boxes. The last day for consumers to request coupons is March 31, 2009, and coupons will be redeemed through July 9, 2009. As required by law, all coupons expire 90 days after issuance. Consumers can redeem their coupons at participating retailers (both "brick and mortar" and online) for eligible converter boxes.

To help inform consumers about the transition, in February 2007, eight private sector organizations launched the Digital Television Transition Coalition. These eight organizations are the Association for Maximum Service Television, Association of Public Television Stations, Consumer Electronics Association, Consumer Electronic Retailers Coalition, Leadership Conference on Civil Rights, LG Electronics, National Association of Broadcasters, and the National Cable and Telecommunications Association. These founding organizations comprise the Coalition's steering committee and make decisions on behalf of the Coalition. To better represent the interests of at risk or underserved populations—such as the elderly—AARP later joined the steering committee. The Coalition's mission is to ensure that no consumer is left without broadcast television due to a lack of information about the

transition. Currently, the Coalition has over 160 member organizations comprised of business, trade, and industry groups, as well as FCC.[4]

Recent surveys conducted by industry trade associations indicate that consumer awareness of the digital transition is low. The Association for Public Television Stations reported in September 2007 that 51 percent of participants surveyed were unaware that the transition was taking place. Another study conducted by the National Association of Broadcasters focused on households that primarily receive their analog television signals over-the-air—and will therefore be most affected by the transition—and reported that 57 percent of those surveyed were not aware of the transition.

Federal Entities and Other Stakeholders are Facilitating the Transition, but Comprehensive Planning and Risk Management is Limited

FCC and NTIA, in conjunction with other stakeholders, have taken steps to facilitate the DTV transition. FCC has primary responsibility to regulate the television broadcast industry for the federal government and has taken a number of actions regarding the transition. For example, FCC has proposed and set deadlines to upgrade station equipment to send digital signals. In addition, FCC has conducted periodic reviews to report on transition progress and held a workshop for interested parties to discuss transition challenges and issues. NTIA has statutory responsibility for the converter box subsidy program, and it has issued a contract in preparation for that program's development. Private sector industries, including broadcasters, manufacturers, and retailers have also begun preparing for the transition. Despite public-private sector interaction designed to help facilitate the transition, we found that no comprehensive plan exists for the DTV transition. Among other things, a comprehensive plan can detail milestones and key goals, which provide meaningful guidance for assigning and coordinating responsibilities and deadlines and measuring progress. Such planning also includes assessing, managing, and mitigating risks, which can help organizations to identify potential problems before they occur and target limited resources. We have previously reported on the benefits of managing risks, including assisting other organizations involved in high stakes efforts similar to the DTV transition. For example, we credited one federal agency's success in weathering the potential for

[4]While NTIA is not an official Coalition member, the agency has been participating in Coalition activities since its inception. The Coalition, as well as FCC and NTIA, have created Web sites providing information on the DTV transition and converter box subsidy program. These Web sites are available for viewing at the following addresses: www.dtvtransition.org and www.ntia.doc.gov/dtvcoupon/index.html.

critical computer system failures during the Year 2000 Computer Conversion (Y2K), in part, due to reducing risks to facilities, systems, programs, and services during the critical rollover period.

Progress in Consumer Education on the DTV Transition Has Been Made, but Widespread Implementation Is Not Yet Underway

FCC and NTIA, along with industry and other private stakeholders, have made progress in educating consumers about the DTV transition. For example, FCC and NTIA have developed informational materials on the transition and begun outreaching directly to consumer and stakeholder groups. Both agencies are also involved with the Digital Television Transition Coalition, a group representing over 160 business, trade, grass roots, and other organizations whose purpose is to provide consumers with information about the transition. Private industry stakeholders are voluntarily taking the lead on planning public service announcements, developing Web sites, and garnering media coverage on the transition. While federal and private stakeholders have taken these initial steps, the initiative is still largely in the planning stages and widespread efforts have yet to be implemented. Further, because of the number of public and private sector entities involved in consumer education efforts for the transition and the timing, coordination and content of the messages they produce, consumers might become confused over what steps, if any, are necessary to avoid disruptions to their television viewing after the transition date.

To identify the difficulties and challenges to consumer education and outreach, we convened an expert panel to discuss consumer education issues applicable to the DTV transition, including potential challenges that may obstruct efforts and the key planning components of a consumer education campaign that will help to overcome some of those challenges. Expert panel members as well as other private and public sector officials highlighted several challenges, as follows:

Prioritizing limited resources. With limited time and financial resources, it is likely to be a challenge for stakeholders to determine how best to allocate those resources within the campaign—for example, whether to target a smaller audience over a set period of time, versus targeting a broader audience over a shorter period of time.

Educating consumers who do not necessarily need to take action. Many of the outreach efforts will be focused on educating consumers on what to do to keep their television sets from going dark after the termination of analog broadcasts. However, a large proportion of U.S. households will not need to do anything—for example, because they have cable or satellite

television service that will enable their analog set to continue to display programming. Because many messages focus on the actions that households that rely on over-the-air analog broadcasting need to take, consumers unaffected by the transition may become confused and purchase equipment they do not need. In our past work looking at a similar digital transition in Germany, we have described this potential confusion to cable and satellite households as a challenge of educating consumers about the transition.[5]

Reaching underserved populations. Conveying the message to underserved populations—for example, senior citizens, the disabled, those residing in rural areas, or non-English speaking households will provide an added challenge. For example, many groups outreaching to consumers about the transition are doing so on Web sites, which may not be available to people who lack Internet access or are less technically savvy. Another challenge is providing information in a wide variety of formats, such as in different languages for non-English speaking consumers and in text, video, voice, and Braille for the disabled. Overall, a challenge of consumer education is that those households that need to take action may be the least likely to be aware of the transition.

Aligning stakeholders. Panel members and other industry representatives also noted the challenge of aligning stakeholders—some of whom are natural competitors—to work together. In our past work, we have reported that federal agencies engaged in collaborative efforts—such as the transition—need to create the means to monitor and evaluate their efforts to enable them to identify areas for improvement. Reporting on these activities can help key decision makers within the agencies, as well as clients and stakeholders, to obtain feedback for improving both policy and operational effectiveness.[6]

In addition to highlighting potential challenges, the expert panelists identified the following key practices as important to planning a consumer education campaign that will motivate consumers to take the steps needed

[5]GAO, *Telecommunications: German DTV Transition Differs from U.S. Transition in Many Respects, but Certain Key Challenges Are Similar,* GAO-04-926T (Washington D.C.: July 21, 2004).

[6]GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies,* GAO-06-15 (Washington, D.C.: October 21, 2005).

to avoid television viewing disruptions, as well as help to alleviate identified challenges along the way:

Table 1: Key Practices for Consumer Education Planning

Key Practice	Description
Define goals and objectives	Define the goals of the communications campaign, e.g., to increase awareness or motivate a change in behavior. Define the objectives that will help the campaign meet those goals.
Analyze the situation	Analyze the situation, including any competing voices or messages, related market conditions, and key dates or timing constraints. Review relevant past experiences and examples to identify applicable "lessons learned" that may help to guide efforts.
Identify stakeholders	Identify and engage all the key stakeholders who will be involved in communications efforts. Clarify the roles and responsibilities of each stakeholder, including which entity or entities will lead overall efforts.
Identify resources	Identify available short- and long-term budgetary and other resources.
Research target audiences	Conduct audience research, such as dividing the audience into smaller groups of people who have relevant needs, preferences and characteristics, as well as measuring audience awareness, beliefs, competing behaviors, and motivators. Also, identify any potential audience-specific obstacles, such as access to information.
Develop consistent, clear messages	Determine what messages to develop based on budget, goals, and audience research findings. Develop clear and consistent audience messages; test and refine them.
Identify credible messenger(s)	Identify who will be delivering the messages and ensure that the source is credible with audiences.
Design media mix	Plan the media mix to optimize earned media (such as news stories or opinion editorials) and paid media (such as broadcast, print, or Internet advertising). Identify through which methods (e.g., advertising in newsprint ads), how often (e.g., weekly or monthly) and over what duration (e.g., 1 year) messages will reach audiences.
Establish metrics to measure success	Establish both process and outcome metrics to measure success in achieving objectives of the outreach campaign. Process metrics ensure the quality, quantity, and timeliness of the contractor's work. Outcome metrics evaluate how well the campaign influenced the attitudes and behaviors of the target audience(s) that it set out to influence.

Source: GAO analysis of expert panel discussion

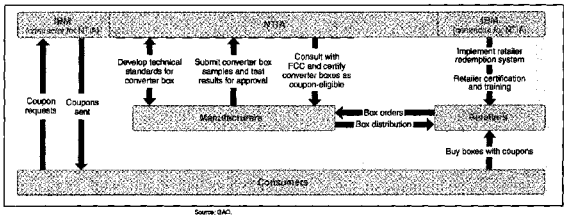
While still too early to evaluate the Coalition's consumer education efforts, the Coalition has employed strategies consistent with the key practices identified by the expert panel. For example, the Coalition has identified stakeholders and conducted focus groups to test and refine its consumer messages. However, at the time of our report, it remains unclear whether public-private sector interaction can ensure a consistent message to prevent confusion or unnecessary purchases on the part of consumers. Moreover, the absence of comprehensive planning to assess and mitigate risks associated with the transition, including outreach efforts, may

increase the potential for at risk populations not adequately preparing for the transition.

NTIA Has Taken Steps to Implement a Subsidy Program for Converter Boxes, but Challenges Remain

NTIA has made progress in implementing the converter box subsidy program, including soliciting stakeholder comments, meeting with industry participants, and selecting IBM in August 2007 to administer the program. The subsidy program's outcomes depend on the coordination and participation of NTIA, IBM, converter box manufacturers, retailers, and consumers. Manufacturers and retailers are voluntarily participating in the program, as NTIA does not have the authority to require their participation. IBM will develop the technical solution for the program, which includes determining how consumers will request, receive, and redeem coupons, and how this will affect retailers' current point-of-sale systems.[7] NTIA and IBM will also be conducting consumer outreach specific to the program. Figure 1 depicts the necessary, interrelated actions for the subsidy program.

Figure 1: Coordination of Groups Involved in the Subsidy Program



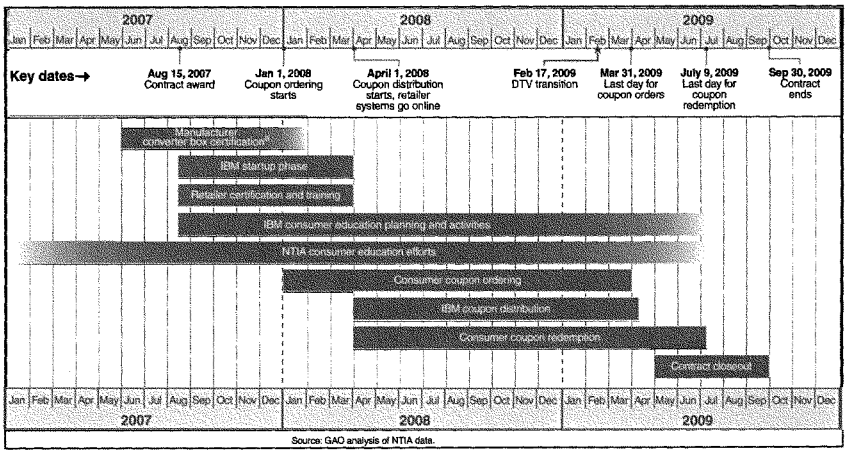
Source: GAO.

As shown in figure 2, consumers can begin applying for converter box coupons starting January 1, 2008, with NTIA requiring full distribution of coupons to begin by April 1, 2008. IBM plans to distribute a limited number

[7]Point of sale systems record purchases, payments, returns, and exchanges, as well as send the individual transactions to the company's internal inventory and accounting systems. They can also include an external component of 'in real time' communication with financial institutions, merchant banks, or other sources to identify the validity of the method of payment and authorize utilization of that method (credit card, debit card, gift card, check, etc).

of coupons from January through March 31, 2008 as part of its test solution. Consequently, some consumers that request coupons in January might have to wait months to receive their coupons. Complicating matters is uncertainty regarding retailer participation and readiness. At the time of our review, several retailers we contacted expressed concerns about the possibility of a redemption system that would affect their point-of-sale systems, noting that modifying these systems can be time-consuming, resource-intensive, and expensive, and can affect their other financial systems. Retailer representatives told us they will need more information about the contractor's technical solution before they could assess the impact on their systems and whether it would affect their participation. Further, they said that March or April of 2008—3 to 4 months after consumers can begin requesting coupons—is a more likely time frame for retailers to be ready to participate in the program. The extent to which point-of-sale system modifications will be necessary and the potential impact on retailers will remain unknown until IBM presents its technical solution. With limited or delayed retailer participation, consumers might face difficulties in redeeming their coupons for eligible converter boxes during the designated time period. Some manufacturer, advocacy, and retailer representatives we contacted expressed concern about consumers' ability to find participating retailers that are able to redeem coupons and have converter boxes in stock. The final rule does not require remedies if certain geographic areas lack participating retailers and NTIA does not have the explicit authority to require that participating retailers maintain a certain level of inventory. Thus, it is uncertain whether consumers with coupons will be able to locate a participating retailer with converter boxes in stock.

Figure 2: Time Line of Converter Box Subsidy Program



Source: GAO analysis of NTIA data.

[a]Manufacturer converter box certification has no specified end date.

While Most Television Stations Are Transmitting a Digital Signal, Numerous Technical and Coordination Issues Remain

The vast majority of broadcast television stations already broadcast a digital signal, with many of these stations prepared to turn off their analog signal on February 17, 2009. However, a number of technical and coordination issues remain, such as antenna replacement and tower construction. In addition, cable and satellite television providers must coordinate with broadcasters to ensure that they can continue to receive and transmit the digital broadcast signals after the transition. While not required to cease analog broadcasting, some translator stations may choose to retransmit a digital signal, but others will convert the digital signal to analog and continue to broadcast in analog after February 2009.

Broadcasters Face Technical and Coordination Issues

According to FCC, as of April 2007, approximately 93 percent of television broadcast stations were transmitting a digital signal.[8] FCC reports that nearly 1,200 of these stations already transmitting a digital signal have been authorized to continue to operate on their current digital channel after February 17, 2009. FCC states that these stations will have a relatively simple transition to their final post-transition digital operation. Additionally, FCC states that approximately 750 of these stations may now already be or are very close to being ready for their post-transition operations and will simply have to turn off their analog signal. For example, managers representing 6 television broadcast stations that we interviewed said they will face no major transition issues before February 17, 2009, and will only have to turn off their analog signal.

However, as discussed below, stations may encounter challenges in completing their digital transition such as, (1) antenna and equipment replacement or relocation, (2) tower construction, (3) channel relocation, and (4) coordination with Canadian and Mexican governments.

Issues with antenna and equipment replacement or relocation. One of the major tasks that many television stations have to complete to build out their post-transition digital facilities is to install a digital antenna on the top of the broadcast tower, where the analog antenna resides. According to a broadcast industry official, many stations need to have their digital antenna at the top of the tower in order to fully replicate the area that their analog service covers. The broadcast industry official stated that stations have two options in placing their digital antenna at the top of the broadcast tower: (1) install the digital antenna to the top now, and buy a new side mounted analog antenna, which would ensure that the analog signal continues until it is switched off and that the digital signal would be at full power; or (2) keep the analog antenna at the top of the tower until it is turned off on February 17, 2009, then install the digital antenna at the top of the tower. The industry official stated that both options, however, present problems for broadcast stations. He said for the first option, stations may have to purchase a new analog antenna, which will only be used for a few months, and as a result of the analog antenna being side mounted, stations' analog broadcast coverage area would be reduced by 2 percent to 9 percent of the viewing market. Stations agreed that they could

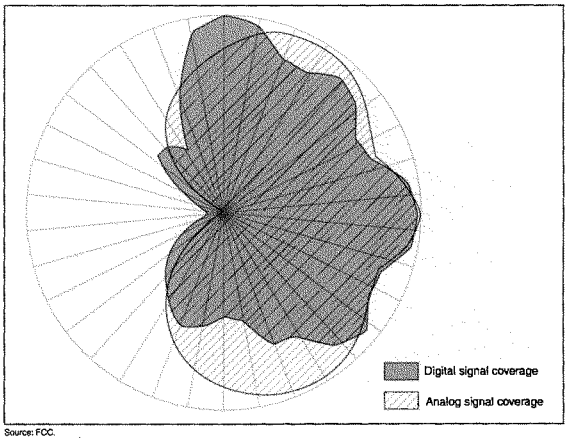
[8]As of April 2, 2007, 1,603 of the approximate 1,722 licensed television stations broadcast a digital signal. Of the stations broadcasting a digital signal, 1,136 represent commercial licensed stations.

potentially have to reduce their analog service prior to the transition date. For example, the owner of a station in Minnesota commented that it may not be possible to complete the construction of its digital facilities without significantly disrupting its analog operation as well as its digital operations. The owner said the power of its analog signal would have to be significantly reduced before February 17, 2009, affecting a large number of its viewers. For the second option, problems include the digital signal not being at full power until later in the year, and getting the necessary authority to do this from FCC. Further, broadcast stations have commented that the design, manufacture, and installation of new antennas can take months to complete. For example, a company that owns five television stations commented that it can take up to 6 months to design, order, receive and install a new antenna.

Even when stations do have their digital facilities fully operational, they might not broadcast their digital signal to the exact coverage area that their analog signal covered.[9] For example, representatives from a commercial television station told us that in order for the station to replicate its analog service contour, it had to reduce coverage for part of its digital contour. As a result, the station representatives said that the digital signal will reach 15,000 fewer people, and that while many of these homes will have cable and satellite to still receive the station's signal, some will not. As shown in figure 3, the digital signal coverage of a station can differ from its analog signal coverage. Consequently, homes residing in the light shaded areas relying on over-the-air signals might not be able to receive the digital broadcast signals.

[9] This could occur due to changes, among other things, in channel number or antenna type, location, and height.

Figure 3: Example of a Station's Digital Signal Coverage Compared to Analog Signal Coverage



Source: FCC.

FCC has acknowledged that a reduction or termination of analog service may be necessary if maintaining full analog coverage hinders the construction and operation of digital facilities. FCC officials told us that some loss of analog service is part of a tradeoff needed to ensure the entire transition is as smooth as possible. FCC officials also said it is difficult to replicate an existing signal contour, and is almost impossible to exactly replicate a pattern. FCC stated that it is not always in the best interest of the public to have a digital signal fully replicate the analog signal because a digital signal can cause serious interference to nearby stations. Further, FCC said that, in some instances, while contour shifting may result in some viewers losing a station's signal, other homes might gain the signal of a station. For example, FCC said contour shifting might disenfranchise 500 people in one area, but cover a new area with 10,000 people.

Issues with tower construction. According to FCC, a station that must change its DTV tower locations may face considerable challenges,

especially if the station must construct a new tower. FCC states that such stations must consider whether there are any existing towers that can be used or if a new tower must be constructed. FCC states that because of the lead times involved in purchasing or leasing land with appropriate federal government clearances, local and state zoning requirements, and varying timelines for designing the new tower, ordering equipment, delivery of equipment, and construction-related issues, stations must begin planning as soon as possible in order to transition by the deadline. According to a major television broadcast network, equipment manufacturing constraints and the limited number of tower crews and other key equipment installation resources available between now and the transition date will impede stations' movement to final digital channels by February 17, 2009. Additionally, any work on towers could be hampered by weather conditions for towers located in northern climates and on higher elevations. Television stations commented that working on towers in the winter months can be problematic, if not impossible. For example, a major broadcast network commented that many station transmitting sites are not readily accessible during the winter, especially to cranes and other heavy equipment necessary for tower rigging and equipment installation. In fact, the broadcaster commented that snow and ice make some of its towers accessible only by a special vehicle from October until March.

Issues with channel relocation. According to FCC, approximately 600 stations will have to move to a different channel once the transition is complete. Some of these stations are broadcasting on a temporary digital channel and plan to relocate this digital channel back to their current analog channel. For example, one station we visited has its digital signal on channel 16 but plans to relocate the digital signal to channel 9, which is the station's current analog channel and the channel number people recognize for that station. Other stations will have to move to a completely new channel once the transition is complete. According to a broadcast industry association representative, television stations moving to another channel will face some technical challenges. For example, the broadcast representative stated that stations moving to another channel could cause interference for their neighboring channels if they move too early or if the neighboring channel moves too late. He estimated that there could be interference issues for up to 300 stations and stressed the need for coordination to minimize interference issues. Additionally, some stations broadcasting an analog signal do not have a paired digital channel and

plan to "flash cut" to their digital channel by February 17, 2009.[10] According to FCC, "flash cutting" may present challenges since it will involve stations ending their analog television operations and beginning their digital television operations on their current analog channel and, in some cases, will require that a station change to a new channel to be fully operational.

Coordination issues with Canadian and Mexican governments. Another challenge for some stations located along the northern and southern borders of the United States is reaching agreements with Canadian and Mexican governments on the coverage of their digital signals that cross the border. According to FCC, some stations may still have unresolved coordination issues with Canadian and Mexican governments. Stations have commented that coordination issues with Canadian and Mexican governments might affect their ability to finalize their digital operations. For example, a company that operates several stations near the Canadian border commented that uncertainty about the stations' final digital signal coverage are preventing it from ordering equipment, scheduling tower crews and making necessary changes to its transmitter buildings. The company stated that if coordination issues cannot be resolved, the stations would face significant additional costs in constructing their digital facilities and could result in two of its stations discontinuing operations as full power stations and rather, operate as low power stations. Another station located near the Mexican border commented that the station's digital channel allotment could result in the Mexican government delaying or denying any request for coordination due to concerns about interference with a station on the Mexican side of the border. The station commented that any delay in coordination would result in the station not having sufficient time to construct its digital facilities. FCC officials told us that they are in discussions with Canadian and Mexican governments to resolve any coordination issues and expect the discussions to be completed by January 2008. However, FCC has commented that if there are situations where international coordination cannot be obtained, stations might have to broadcast to a smaller coverage area.

[10]According to FCC, "flash-cut" refers to the situation where a station gives up its pre-transition digital channel and transitions to digital service using its analog channel or a newly allotted channel.

Cable and Satellite Television Providers Must Coordinate with Broadcasters to Ensure They Continue to Receive Broadcast Signals

Cable and satellite television providers face fewer challenges than broadcasters with the DTV transition, however, there are technical issues that need to be resolved to ensure they can provide digital broadcast signals to their subscribers. For cable, FCC recently indicated its intent to require cable to either carry both a digital and analog signal, often referred to as a "dual carriage" requirement, or carry only the digital signal provided all subscribers can view the signal.[11] FCC further indicated its intent to require that high definition broadcast signals continue to be carried in high definition format. According to FCC, this will ensure all cable subscribers are able to view broadcast signals on their current televisions –whether analog or digital. We heard from cable providers that there are key technical challenges needing to be resolved prior to the transition. As previously noted, the technical and coordination issues facing the broadcasters can vary from station to station, with some stations moving to a new channel or changing the coverage area of their broadcast signal. As a result, cable providers told us there is uncertainty whether their cable head-ends will continue to receive the broadcast signals.[12] For example, if a broadcaster's digital coverage area differs from its analog coverage area, there is a possibility the cable head-end would no longer be able to receive that signal. A cable provider told us that it might need to reposition its antennas or otherwise update its head-ends so that it can continue to receive the broadcast signals. Further, the cable provider said this issue could be particularly problematic in smaller markets where head-ends rely on over-the-air broadcast to pull in the broadcast signals. Consequently, cable providers will have to coordinate with local broadcasters to ensure cable continues to receive local broadcast feeds. In particular, we heard that cable providers need the coverage areas, or signal contour maps, from broadcast stations as soon as possible to help them identify problem areas.

The satellite television providers we talked to anticipate no technical issues that will impact their subscribers' viewable broadcast signals following the transition date. However, similar to cable, satellite providers

[11]The FCC rules were adopted on September 11, 2007, but as of October 15, 2007, the final ruling had yet to be published.

[12]Cable providers receive the local broadcast signals to their head-ends, while satellite providers receive the local broadcast signals at local receiver facilities. This signal can be received by the providers either over-the-air, across fiber, by microwave antenna, or other means. Over-the-air signals could be lost completely based on changes to the broadcast stations antenna placement or structure, but fiber and other means of receiving the broadcast signal may require changes in equipment.

have concerns about broadcasters' coverage area changing such that the satellite receiving stations will fall out of the coverage area resulting in a lost or poorly received broadcast signal. Since satellite television operates on a national platform, the satellite providers will have to coordinate with all broadcast stations carried nationally.[13] To better coordinate and be better prepared for the DTV transition, both cable and satellite providers support broadcast stations making their transition plans public. Cable and satellite providers indicated advanced planning will allow them adequate time to make technical modifications to their systems, such as updating their receiving equipment and testing signal strength and reception.

Owners of Translator Stations Will Need to Take Action in Order for Viewers to Continue to Receive Translator Signals

Unlike full power broadcast television stations, the February 17, 2009 deadline to cease analog broadcasting does not apply to translator stations.[14] However, since translator stations retransmit signals from full power broadcast stations, owners of these stations will need to take action to ensure broadcast signals continue to reach viewers. Translator stations can either transition to digital or take the digital signal and convert it to analog before transmitting it to their viewers. Those stations transitioning to digital have two options; they can cease analog transmission and begin operation of new digital transmitting equipment on the same date, or they can operate a digital companion channel allowing them to deliver both analog and digital signals. One broadcast industry association representative said many translator stations will continue to transmit an analog signal beyond the full-power analog shutdown date. The representative told us that although many translators will likely have obtained the hardware to operate with the digital input signal by the transition date, some stations will not have the necessary equipment.

If a translator station decides to convert the digital signal to analog and retransmit the signal, there is a possibility they will not reach those viewers who have purchased set-top converter boxes. According to a broadcast industry association, there are some instances where translator stations serve communities that receive at least one full-power television

[13]The two satellite television providers, EchoStar and DIRECTV, retransmit 1,500 local broadcast signals and 1,200 local broadcast signals, respectively.

[14]According to FCC, translator stations are often used to deliver the only over-the-air television service available in rural communities. Although some translator stations are owned by full-power stations, many are either owned or rely on support from a local government.

station, which would necessitate those over-the-air viewers to obtain a converter box. Since these areas will continue receiving both digital and analog signals, there is concern that those people who buy a set-top converter box that does not have analog pass through will have to turn them off or have an external bypass arrangement to allow for over-the-air signals to pass through their analog sets.

Our Future Work Will Focus on the Progress of the DTV Transition

We have work planned to assess the progress of the DTV transition. To accomplish this, we will continue to monitor public and private sector efforts related to the transition, including consumer outreach, the converter box subsidy program, and technical issues. Specifically, we will review consumer education programs and plan to conduct a series of consumer surveys throughout the year prior to the transition date. The surveys we conduct will be aimed at determining the population that will be affected by the DTV transition and public awareness of the transition. In determining the affected population, we will look at the percent of the population relying on over-the-air broadcasts for their primary television, as well as the percent of the population with non-primary televisions being used to watch over-the-air television. Additionally, we will review the demographic characteristics of the affected population to determine what groups might be most disrupted by the transition. We will survey for public awareness of the DTV transition, and specific knowledge of the transition, such as when the transition will take place. We will seek to determine the level of public awareness of those who will be affected by the transition and awareness of the converter box subsidy program and other options for viewing digital signals after the transition. We plan to report on changes in consumer awareness over time by conducting surveys throughout the transition process. Furthermore, we will continue to monitor government and industry consumer education efforts and will analyze the efforts compared with key practices for consumer outreach. We will also monitor the outcome of FCC's notices of proposed rulemaking regarding the transition and collect details on IBM's consumer education plan as they become available. To monitor the implementation of the converter box subsidy program, we plan to continue reviewing the steps taken by NTIA and IBM in administering the subsidy program. In addition, we plan to survey broadcasters to obtain their perspectives on the technical issues that must be addressed prior to the DTV transition date.

Mr. Chairman, this concludes my prepared statement. I would be happy to respond to any questions you or other Members of the Committee may have at this time.

Mr. MARKEY. We thank you, Mr. Goldstein, very much, and we thank each of our witnesses.

The Chair will now recognize himself for a round of questions. I am going to begin with you, Mr. Goldstein.

You have testified here this morning that the Federal Government lacks an overall DTV transition plan, that it has no plans to monitor the transition and has no contingency plan should the transition run into problems.

What in your judgment is the biggest threat to the overall success of the transition that could be mitigated if the Federal Government engaged in comprehensive planning?

Mr. GOLDSTEIN. Mr. Chairman, we felt with respect to the overall planning that there were not strategic goals, that there were not strategies and resources that were defined, that there was not an identification of key stakeholders, that there was not a risk mitigation plan that would have included understanding the alternatives, should issues arise that had been undeveloped and unprecedented, and so that really concerned us.

We are not advocating that the Government take over control or be a czar, but the Government, particularly the FCC in its role of being in charge, essentially, of the Government's spectrum and of the airways, we felt had a broader responsibility to be able to ensure that the risks in the transition be mitigated as best as possible, because otherwise the challenges that we talk about in our testimony in all of its aspects, whether it is consumer education, whether it is the ability to have a box, whether it is some of the technical issues related to ensuring that the footprint of the analog and digital airwaves that people are still able to receive even if they—even if you go out and you get a box and you have that box, if the broadcast companies and the cable companies have not had sufficient conversation to determine whether or not cable head-ins can still receive the broadcast signal, you are still going to have consumers who are in the dark.

So there are still plenty of issues that need to be dealt with. And we think that greater coordination and greater communication at all levels are necessary. And this can be done, we think, best through having a more comprehensive planning process that the Government at least ensures gets underway with the private sector involved.

Mr. MARKEY. Thank you, Mr. Goldstein, very much.

We do not want to make anyone a czar either. The Russians killed the czar. We want to make them Tom Brady. That is our goal and our effort.

Let me ask you this, Mr. Kneuer. As I understand it, the NTIA will not reissue a coupon if a consumer's coupon expires after 90 days. So tell us what would happen in the following situation:

A consumer has a coupon for a converter box. On the 90th day, the consumer goes to Best Buy to use the coupon, but Best Buy does not have any boxes in stock. As a consumer, although I have procrastinated until the last day, I have done what I am supposed to do.

What happens at that point? Am I out of luck?

Mr. KNEUER. One of the things we are talking with retailers about is precisely the circumstance you described, that a consumer

comes in—whether it is the 90th day or it is the 15th day—and there are not boxes in the stores. It is whether or not they can conclude that transaction with the consumer in the store, either treat it as an online transaction for the consumer to come back or to have it delivered to their home or to have the consumer come back and pick it up at that time. So we do want to make sure that consumers are not disenfranchised in that circumstance.

The more systematic approach is to encourage the broadest possible participation by retailers and the broadest possible——

Mr. MARKEY. It should not be a requirement, though.

Should it be a requirement that retailers have to honor that coupon if they have walked into the store before the 90th day?

Mr. KNEUER. That is something we can look into making an affirmative requirement as a business case in the program. It is not currently included in the program.

Mr. MARKEY. No. What I am saying to you is that I recommend to you that you make it a requirement. That is, if the retailer is participating in the program and someone shows up and they are representing themselves to have these boxes, what about the issue of then should the retailer then have to ship it free of charge to the consumer if they did not have it in the store?

Mr. KNEUER. I do not think we have authority to require additional subsidies if it is part of their normal mail order process. If they do things free of charge or if they charge for the mailing of it, I do not think that in our program we would have the authority to require that——

Mr. MARKEY. But do you have the authority to require them to have boxes in stock?

Mr. KNEUER. No, we do not have the authority to require supply chains. We do not.

Mr. MARKEY. So what do you get for participating? They can represent that they have them. People show up. "We do not have them, but we have this wonderful digital TV set here. Why don't you buy the digital TV set? We do not know when we are going to have those converter boxes that we advertised in the newspaper saying that we have."

So how do we handle that situation? It is rife with potential for a bait and switch.

Mr. KNEUER. Sure. Sure. That is sort of obvious consumer fraud, a classic bait-and-switch campaign where they advertise "We are your DTV coupon eligible box headquarters," and they do not have boxes; they just have $500 TV sets, and they are doing hard sells on consumers.

Our vendor, who has responsibility for the retailer relationship, for certifying retailers, is going to be doing spot checks in stores to make sure that they are educating their consumers, that they do have——

Mr. MARKEY. But what conditions can you put on retailers in order to make sure, if they are going to represent they have these boxes, that they have them and, if the consumer shows up, that the retailer will provide them to the consumer and that there is no extra charge if they are out of those boxes at that time?

Mr. KNEUER. If we found evidence of a retailer that was consistently out of stock, there may, in fact, be times that a retailer does

run out of boxes, but if we had reports or evidence that there was a consistent pattern, we would have the ability to decertify those retailers.

Mr. MARKEY. Right. So, again, the coupon has expired; there is no box; it is not the consumer's fault; it is the retailer's fault. What are we going to do for the consumer?

Mr. KNEUER. Irrespective of whether it is the 90th day or the 15th day, in our outreach and in our conversations with retailers we are raising this issue with them. Can you execute the point-of-sale transaction——

Mr. MARKEY. But what do you do if they do not comply? What if they don't? What are you going to do?

Mr. KNEUER. If they do not agree to have those sorts of processes in place?

Mr. MARKEY. Yes. What are you going to do to them?

Mr. KNEUER. Those are the sorts of things that we are working through on a business case with the retailers.

Mr. MARKEY. Yes. I think the retailers have to know up front what you are going to do to them, and then they will comply. If they think you are going to be counseling them at the 90th day, just talking to them, then unfortunately there are going to be too many consumers out there who will be walking around a store, without any converter box being in it, now being counseled by this salesman, "You know these new digital TVs only cost $350. You should get one of these anyway. Why wait?"

So why don't we try to figure out some way of having a real set of sanctions that can be imposed upon them and that they know about it and that they are being told very clearly what will happen to them if they do not honor that coupon as it is being presented.

Mr. KNEUER. Throughout our relationship with retailers and in designing this program, we want to balance those sorts of requirements on retailers with also having it be a program so that we have a very broad cross-section of retailers. There may be rural stores or smaller retailers that are not part of big chains and that do not necessarily have the capability to do shipping and transactions of that kind. So we want to make sure that we are doing everything we can to make sure the retailers are educating consumers and that retailers that participate in this program are not engaging in those sorts of fraudulent activities. But we also want to make sure that we are not raising burdens that exclude classes of retailers that may serve people in other communities other than the large——

Mr. MARKEY. OK. Again, what I am saying is, in my district where we have all big stores, I just want them to know that there is going to be a penalty. Now, it sounds like you want to make a rural America exception, that rural Americans can be treated differently, those consumers. Then if you have got a separate set of protections for rural Americans that is not as stringent as for urban and suburban, I would like to hear that. But I think where there are big stores, there should be.

Mr. KNEUER. No. We absolutely will have sanctions. If there are retailers that are actively misleading customers and that are consistently out of supply, and we have evidence to the fact that they are using this simply——

Mr. MARKEY. I am saying even beyond consistently.

I am talking about that consumer who is standing there. They do not know anything, and they have to have some protection. The store manager has to be there to say, "But we are going to honor it. Do not worry. We will get it for you in a week."

Mr. KNEUER. That is why we are in discussions with retailers, to find out what their capability to do that is. It is certainly something that we want them to be able to do, to make it as easy for consumers and to not disenfranchise consumers when they show up at the end of the expiration date.

Mr. MARKEY. OK. Well, I think there have to be very firm requirements that are placed upon these stores.

My time has expired.

The Chair recognizes the gentleman from Michigan, Mr. Upton.

Mr. UPTON. Well, thank you, Mr. Chairman.

I have a number of questions as well, and I just want to say that as I and as Chairman Markey have indicated, do not get between us and our TVs. We all have our own MOs as we watch the programming that we do, and I for one have already seen the ads that have been on my cable company a number of times over the last couple of weeks. In fact, I know, based on some constituent conversations, that our constituents are beginning to get a glimmer of the changes that are there, and it is not too early for this process to begin because they want to be ready. Particularly for those with over-the-air broadcasts—of which, though, I have cable at my home in Michigan—clearly those questions are starting to be asked. And I think that it is important for folks to realize if they have—I made a speech this morning at breakfast. If you have a set with cable or satellite, really you do not need to worry about getting that cable box.

The question, Mr. Chairman, that I have for you is: as people are beginning to watch these ads, they are beginning to say, "Where do I need to get the box?" it is my understanding that they are going to be available in many retailers after the first of the year.

Where are we in terms of the number of boxes that are certified? How many do you think that we will have certified and ready to go to the store shelf by the first of the year?

I understand that—I think behind Mr. Kneuer—oh, there it is. Is that bigger than your TV?

Oh, Markey left. I do not know if that is bigger than Mr. Markey's is. Is that bigger than your TV? Do you see the converter box over here? You are not going to electrocute yourself.

John, hold it up for him to see.

Mr. KNEUER. I think this is, in fact, the very first box.

Mr. UPTON. Has that been certified?

Mr. KNEUER. This is a certified box. We have certified multiple boxes from multiple manufacturers. We have a huge expression of interest from lots of manufacturers.

The way the system works is in order to get certified, they need to submit boxes to us for testing. We are working under an MOU with the FCC and are using their labs, but we test them to make sure that they perform the function for which they are designed, which is the digital——

Mr. UPTON. So how many have been certified already, how many different boxes?

Mr. KNEUER. We have multiple boxes from multiple manufacturers. I think we have three.

Mr. UPTON. Three so far? How many do you expect that we will have ready by the end of this calendar year?

Mr. KNEUER. I would not hazard or make a guess as to the total number, but we have had boxes submitted by major manufacturers and have a very large expression of interest from multiple supply sources.

Mr. UPTON. Of those that have been certified, are they already in production, then? Are they getting them ready in the warehouses to be shipped out?

Mr. KNEUER. That is my understanding, yes.

Mr. UPTON. Mr. Goldstein remarked in his testimony that he was aware that perhaps some of the major retailers were not quite ready for the boxes. Have you found that? Have either of you—I know this is probably more of a question for, I guess, IBM, and we are going to have another hearing later on this month. What have you heard?

Mr. KNEUER. One of the things that we focused on in putting out our request for a proposal was how would you deal with retailers and how would you make this a program that would be nondisruptive to the ordinary retailer operation.

As to the point-of-sale issues that Mr. Goldstein was talking about, in fact, it was IBM's experience in point-of-sale and back-office software sorts of issues that that was one of the stand-outs of their proposal. In fact, the retailers that we have spoken to are very comfortable with the IBM point-of-sale system. In fact, IBM has designed point-of-sale operations for large retailers, so it is a system that——

Mr. UPTON. So you have talked to Best Buy and to Radio Shack and to Sears?

Mr. KNEUER. CLC, our vendor who has responsibility for the retailer outreach, is in negotiations and discussions with a large number of the top, I think, 50 largest retailers. Like I said, then we are also reaching out to small, local retailers. We are sending out 25,000 letters to those small retailers.

Mr. UPTON. Do you see any distress signs thus far?

Mr. KNEUER. No.

Mr. UPTON. Again, I know it is going to be the focus of another hearing.

Mr. Goldstein, where did you get your information? Which retailers seem to be posing some problems or not having the right information?

Mr. GOLDSTEIN. Congressman, we talked to a number of different retailers, and I would be happy to provide that information to you later on. We can tell you which ones and the like.

We did talk to IBM just the other day, because we are continuing our work, of course, and in our discussions with IBM, they did indicate that they are in serious negotiations with 23 large retailers right now. But they do not have a target date right now as to when they are going to be ready to redeem the coupons, and they are seeking input from the retailers for this.

Mr. KNEUER. I think part of that disconnect may have been that the retailers had yet to have those conversations with IBM. And I think as they are having those conversations, they are getting a very high degree of comfort that the point-of-sale issues are going to be very miniscule.

Mr. UPTON. What I have heard from the retailers that I have talked to is that they are excited about this new product because they are going to have a new product that will bring people to their stores, and that they are anxious to get it on the shelves so that, in fact, they can begin to redeem—I mean, it is a product that they want and want to be able to sell.

Mr. KNEUER. When we deliver the coupon to consumers, we will send them not just the list of certified eligible boxes by serial number, but the name of retailers and the locations of those retailers by their Zip Codes. So, if you request a coupon and it gets sent to your Zip Code, there will be a geographic range saying, These are the stores in your community that you can go to. And I think retailers will want to be on that list.

Mr. UPTON. OK. I yield back.

Mr. DOYLE [presiding]. Thanks, Mr. Upton.

The Chair will now recognize himself.

Mr. Kneuer, I just want to follow up on something Chairman Markey asked you about.

Now, your contractor has the ability to track these individual coupons through the system from issuance to redemption; is that correct?

Mr. KNEUER. That is right.

Mr. DOYLE. It seems to make sense to me that if they can be tracked, you can also track to see if someone's coupon expires, and you will know if someone used it.

Mr. KNEUER. That is right.

Mr. DOYLE. So I can think of many good reasons, in addition to what Mr. Markey brought up, if someone goes to a store a couple of times and they are out of the boxes, or someone is deployed in Afghanistan or in Iraq, or some senior citizen's grandkids are going to hook up the box and are not going to come until Thanksgiving. There are just a lot of reasons.

If you can track these coupons and you can see when they have expired, why not err on the side of the consumer and just put them to the back of the line and reissue these coupons?

Mr. KNEUER. The statute says that consumers may request up to two coupons and that they expire within 90 days. So I think the statute constrains our ability to reissue coupons, to issue more than two coupons, or to allow them to go beyond 90 days.

Mr. DOYLE. Why not fix the statute? I mean why not make this consumer-friendly? If we can track these coupons through the system, and we have the ability to do that, I mean why not just change the statute and make it more friendly to the consumer?

Mr. KNEUER. I would defer to the Congress on the change.

Mr. DOYLE. Yes, I think maybe we should think about doing that because it should be more consumer-friendly.

Chairman Martin, we do not want a czar, but what is wrong with a benevolent dictator or a guru or something like that? Why not have someone at FCC quarterbacking this thing to make sure that

all of the various private sector groups that are going to be doing this outreach and information are coordinated in those activities? Why not have someone making sure that the message that is being put out there is clear?

Mr. MARTIN. Oh, I do not think I have any problem with—and I think the Commission is involved in trying to quarterback a lot of these issues, as you would say.

I think that the issues that we are discussing from GAO's standpoint involve technical issues, policy issues and education issues that are related to the box program. And I think the Commission is very involved in trying to set frameworks, timeframes, and goals for us to reach on the technical issues and on the policy issues.

I think that the consumer education issues and the DTV box program are ones that are not solely in the FCC's control. That is something that we work on jointly with NTIA, and I think that the Commission is actively working on coordinating those efforts. Some of the resources that Congress decided on should be provided NTIA to coordinate the DTV box program. They should be responsible for $5 million in the education budget.

As you indicated in your opening, we do not even actually have the $1.5 million. That is in this year's budget request. We requested money last year, and we received none from Congress on doing DTV education.

So I do not have any problem at all with the Commission's taking an active role and trying to be involved in these issues, and I think we are.

Mr. DOYLE. As to what you have just said, NTIA is going to spend $5 million which is a drop in the bucket of what needs to happen. I mean the bulk of the real money that is going to get spent educating consumers is coming from the private sector. It is going to be the cable industry's spending however much they are spending and the broadcasters' spending however much they are spending. As I said in my opening statement, we have to remember these people are also competitors, and so the question is: What kind of message—predominantly, the message consumers are going to hear is going to be the $200 million cable message and the $500 million, whatever that figure was, broadcaster message. The $500 million NTIA message—we run campaigns here, and we know what rating points are. If I am spending $50,000 on my message and Mr. Upton is spending $5 million on his, people are going to hear his message, not mine, and he is going to win. So the message that our consumers are going to hear is really going to be a message of the broadcasters and the cable industry who are competitors, and not the government that does not have a vested interest in the message.

So how do we make sure who on the Government level, whether it is NTIA or the FCC, is sort of watching all of this and is making sure that consumers are getting a clear message?

Mr. MARTIN. Oh, I think it is going to relate to the coupon program. I think NTIA has to be the one that is watching it to make sure that those messages get to consumers about their rights and their responsibilities related to the DTV coupon program. I think that has to be NTIA. That program is a part of their responsibility.

On the general DTV transition, I think the Commission would end up being the one watching to make sure that those messages are not misleading and that they are informing consumers in an appropriate way.

Now, I am hesitant to say that we would be editing those messages ahead of time. And I think that that is what you were saying about you are not sure that there is a need for a czar, so to speak, of this. But I think the Commission is involved, and should be, in working with the industry to make sure that the messages that they are going to put out are going to be targeted to be the most effective.

I think that in addition to the voluntary efforts that the industry has put forth, we have proposed, as Chairman Dingell and as Chairman Markey have suggested to us, that we have certain requirements for certain kinds of messages that should be put out. For example, a PSA campaign in scrawls that would be put out by broadcasters to inform their viewers, we would dictate that it would have to be done during certain day parts, and it would increase in frequency as we approach the transition.

On those messages that we are requiring, I think that we would have a more direct role in supervising them, just like in the message that we require the consumer electronics distributors to put out for the tuners to say, "Here is the message you have to tell consumers if you are selling a television without a digital tuner." Similarly, I think we will be involved in the message when we are requiring the industry to actually put that forth. It is different from the voluntary messages that they are putting out.

Mr. DOYLE. So, if you see messages coming out of the broadcasters or out of the cable industry or out of the private sector that you think are not clear messages to the consumers, the FCC will step in and take action?

Mr. MARTIN. Yes. I think that if they were not clear or they were misleading messages, I think, yes, we would step in.

Mr. DOYLE. OK. I see my time has expired.

I will now yield to the ranking member, Mr. Barton, from Texas.

Mr. BARTON. Thank you, Mr. Chairman.

A point of full disclosure. When we designed this program 2 or 3 years ago, we could have gone either way. We could have had a regulatory model telling the Government exactly what to do, and when to do it, and who has got to do it; or we could kind of set a loose framework, provide some funding and trust in markets. We decided on the latter, to do the market.

I say that because I have listened with interest to what Chairman Markey and Congressman Doyle have said when kind of painting these worst-case scenarios. And I would have to say that if we used the same analysis in each of our campaigns, every member of this committee and in the Congress gets here because we get elected. We get elected every 2 years, in November.

If the GAO went down to the sixth district of Texas, which I represent, and did an investigation of my campaign today, they would find out I am not doing any advertising; I do not have my volunteers manning the polls; I am not actively out doing advertising on radio or TV or in the newspapers. I do have $2 million in the bank. I know when the election is, and I am comfortable that when the

appropriate time comes, I will put the campaign together, and hopefully the voters will reelect me. But I am not doing it today.

Now, to go to Mr. Markey's question to Mr. Kneuer, I do not know how it is going to work in everybody's households. But in my household, what will probably happen is, sometime around Christmas of 2008, my wife will say, "Joe, you know that DTV conversion is coming up. Have you got the converter boxes?" I will say, "No, Terri, but I will get it done." And I will not do it. Then on February the 19 or whatever the exact date is, I will get up and I will turn the TV on, and I will say, "Darn, the TV is not working." Terri will say, "Well, Joe, did you go get the converter box?" I will say, "No, I did not." She will say, "Well, you had better go get it."

Now, I do not plan ahead, so I will just go to the nearest place, which I think is a Radio Shack, and I will walk in with my little coupon that has been provided to me by mail—or the debit card—and I will say, I want my two converter boxes.

Now, let us say that there has been a run on converter boxes at that Radio Shack. They will say, "I am sorry, Mr. Barton, but we are out of converter boxes." I am not going to call Mr. Markey or the FCC, I am just going to go to Wal-Mart. Now, my wife would call ahead. She would say, "Do you have converter boxes?" but oil is only $90 a barrel, so I will just hop in the SUV, and I will drive around until I find one.

I do not think we need a regulatory model where there is a penalty if Radio Shack does not have the converter boxes. Somebody will have them at Best Buy, Circuit City, K-mart or Wal-Mart. You can get them on the Internet. Somebody will have a converter box for the Joe Barton household, you know?

I am just not concerned as much as the chairman and as some of my friends on the majority that this thing is all going to go to heck in a handbasket. Because I trust markets, I trust self-interest, I trust the ability of people to visually become cognitive that something different is going to happen and to take active steps to make sure that they are ready for it. I just believe that.

Now I want to ask you, Mr. Kneuer: Do you think that you have got adequate funding to provide the coupons for the converter boxes that will be necessary? Do you think the money that is in the law is sufficient?

Mr. KNEUER. I do. If you go by the various estimates that we have been quoting here this morning, on demand, if we access the entire $1.5 billion, we have the ability to fund more than 30 million coupons, and that is in excess of any of the predictions of demand that we have seen.

Mr. BARTON. I will ask Chairman Martin. Do you feel the FCC has got a handle on the technical issues that are involved with the down conversion at the cable head? I know there has been some concern about that. Do you feel like your staff and the experts at the FCC can work with the cable industry to make sure that works OK?

Mr. MARTIN. Yes, I do. I think that we have been working on that, and that was one of the important issues we tried to address just recently in September when we made sure that we were working on the requirements to make sure that the cable consumers, including the analog consumers, are still able to watch those——

Mr. BARTON. I see that my time has expired, so here is my last question.

Forget all of the concern about everything else. I want to ask each of you three gentlemen: On a personal basis, do you feel that you have enough time to convert your television sets by February 2009, or is there something the Government needs to do to help you get ready to do that in the next year and a half?

Mr. KNEUER. I am all digital.

Mr. BARTON. You are ready.

What about you, Mr. Martin?

Mr. MARTIN. I am ready.

Mr. BARTON. What about you, Mr. Goldstein?

Mr. GOLDSTEIN. I am ready as well.

Mr. BARTON. All right, that is three. OK. I think we are going to make it, Mr. Chairman.

With that, I yield back.

Mr. MARKEY [presiding]. I thank the Chair.

The Chair recognizes the gentleman from Texas, Mr. Gonzalez.

Mr. GONZALEZ. Thank you very much, Mr. Chairman.

My questions will go to Secretary Kneuer and to Chairman Martin.

When we had a hearing back in March, in our staff memo—we need to commend that, by the way. Their memos are so excellent.

Let me read something here.

By law, the coupon program must begin on January 1, 2008 and run through March 31, 2009. For the initial $990 million minus up to $100 million in administrative expenses, all U.S. households will be eligible to apply for up to two such coupons worth $40 each. If the initial funds are not adequate, the ad permits NTIA to certify that the program needs additional funds up to $510 million, bringing the cap total for the coupon program to $1.5 billion, minus up to $160 million in administrative fees. For these additional funds, the NTIA has chosen to restrict eligibility to exclusively over-the-air households. Households that subscribe to cable or satellite but that also have over-the-air television sets will not be able to receive coupons for this portion of the funding. Consumers requesting coupons during this stage will have to self-certify to NTIA that they do not subscribe to cable, satellite or other pay television services.

Now we fast-forward, and I will read from today's memorandum, because that was March. Come September, the FCC does issue a ruling, and—if I can find the relevant part here. This is from today's memorandum:

It has long been assumed that cable operators would accommodate their subscribers with analog television sets by down-converting broadcasters' digital signals to analog, and the head-in are providing subscribers with set-top boxes that down-convert a digital program into analog. Though, there was some concern * * *

and it goes on about a couple of areas

* * * in September, the FCC adopted rules to ensure that all cable television subscribers, including those with analog equipment, can receive all local broadcast television signals after the DTV transition. Approximately 35 percent of all television homes, or 40 million households, subscribe to analog cable.

It seems to me that, if we had had that in place, maybe we would not have had that memorandum, Mr. Kneuer, as to how we would proceed with the first portion of the money and then proceed to the second. Please educate me on this. It appears to me that you probably, as a result of the FCC's ruling in September, have captured a huge audience.

Will you now have a situation where people who have no need for the converter boxes—and you are going to say, "Why would they go and get one if they do not have any need?" that is because certain things reside in the hearts and souls of certain people in this country. They would go over there, redeem the coupons, the vouchers, and get a converter, when in fact they have an analog TV, but because the cable company is obviously reconverting at the head-in, there is no need. So why in the world would you do that? Well, because they know that Mr. Markey and Mr. Barton are probably right, that there are probably going to be additional outlets for boxes, black markets and such, because the only ones who would have had to certify that they truly needed it would have been that second batch of individuals that seemed to be, really, the total universe that we are going to be mostly concerned with.

What are the consequences of the September accommodation or ruling by the FCC on the original plan on how we were going to divvy up the monies? That is the first part of the question. But time goes on, and I want to give everybody enough time. So that is the first question to both the assistant secretary and to the chairman.

Then the second question, Mr. Chairman, is going to be—and I appreciate what you are doing regarding the multicast aspect of it. I am just going to assume something. Correct me if I am wrong.

If we allow the reconversion of digital to analog at the head-in, what does that do to capacity? What does that do to the ability of the cable company to actually free up that space where we can have additional channels?

Now, I may be totally wrong on the technology, and I do not understand it, and I do want you to educate me on that because I know I have checked with my Time Warner people in San Antonio and, in essence, I think one digital signal is the equivalent of, I think, six analog signals, the same space. And I am not really sure if that is an accurate description. How does that impact your vision regarding multicast? And then you predicate it on additional space. I always try to reduce it to the most simple analogies.

So the first part of the question: What are we going to do with all of these people who really do not need boxes, but they purchase them? Let us just say that could happen.

Mr. KNEUER. When we designed the program and looked at that issue, looking at the legislative history and the record that we developed, we always expected that cable households would continue to have television in one form or another after the conclusion of the transition. There was also the realization that many cable households and satellite households have additional television sets that may not be hooked up to their service provider. The conclusion was that this transition was going to have a very broad impact across households and across American consumers. So we wanted to make the availability of financial assistance very, very broadly available, so we had no restriction on eligibility for the first $1 billion. If you are a cable household and you have additional sets that are not hooked up to the service provider—you have got Mr. Markey's set in the bathroom that you use in the morning—you ought to be able to get financial assistance if that is what you want.

We wanted to shift the focus with the second $500 million to make sure that if demand started to outstrip the capacity of the program, that we would focus the resources to make sure that no household would completely lose access to television, without financial assistance. So those cable households would still have access to television after the conclusion of the date. Households that rely exclusively on over the air would be most at risk of losing television altogether, so we wanted to make sure the money went as far as it could possibly go to serve those consumers who most need it. And I would not change our decision based on the action that they took in September.

Mr. GONZALEZ. Chairman Martin.

Mr. MARTIN. The action that we took in September was in doing our best to protect as many consumers as possible so that the analog cable consumers who subscribe to analog cable today will be able to watch broadcast TV the day after the transition, just like they did the day before.

Some of those consumers may have other televisions that are not hooked up to cable. And I think that is what Secretary Kneuer was referring to, that they might still want to apply for a coupon. I would leave it up to the discretion of NTIA to determine how to utilize their limited resources to prioritize who should be at the top of and in the front of the line. What we are doing is trying to make sure that we can do everything we can to put the burden as less as possible onto consumers.

As to the second question——

Mr. GONZALEZ. And I misspoke. It is one digital equals six analog.

Mr. MARTIN. It is actually—there are disputes about how many digital signals can fit within what used to be the capacity of taking up an analog channel on cable. Some people say six; some people say up to 20. There is something in Comm Daily today that says up to 20-some, people claim. But regardless, when you switch over the cable system from an analog channel to a digital channel, you can fit in a lot more channel capacity. So I think that even if you just required carriage of the multi-casted signals on the digital tier, there seems to be significant amount of capacity on the cable systems. They could end up taking that on, and it will have a significant positive impact on the reach of those additional broadcast stations.

Mr. GONZALEZ. Thank you very much.

Mr. MARKEY. The gentleman's time is expired. The Chair recognizes the gentleman from Oregon, Mr. Walden.

Mr. WALDEN. Thank you, Mr. Chairman. I appreciate the opportunity to ask just a couple of questions. I just want to make sure, for the record, coupons are due out and available by January 1 2008?

Mr. KNEUER. January 1, 2008.

Mr. WALDEN. And how would somebody get that coupon?

Mr. KNEUER. Either by phone, by mail, by fax, over the Internet. They can call on the phone and give their information. They can get on the Internet, and there will be a form available. There will be forms in hard copy generally available from a variety of sources. And so they can either mail that in or fax that in.

Mr. WALDEN. How many people are likely to apply?

Mr. KNEUER. In January?

Mr. WALDEN. Total number available to apply, you estimate?

Mr. KNEUER. The eligibility is for all U.S. households. And a variety of different sources are coming up with different predictions on demand. We are doing some polling and things on that as well.

Mr. WALDEN. And what do you think?

Mr. KNEUER. Fewer than the 30-plus million that we have an ability to fund.

Mr. WALDEN. The reason I ask that is that I am assuming it is going to be in the $15 to $20 million range, I don't know. I am kind of pulling a number out of the air, as we all probably are right now. I remember going through the signup for Medicare prescription part D. There was an overwhelming of the phone system. There was a problem with the Internet system, all of that, as consumers tried to sign up for prescription drug coverage. You might want to talk to your friends at HHS about their lessons learned from that process as you go into, especially the dial-up part. Because of the waits on phones were very long and very frustrating, obviously, for folks. So, January 1, the coupons should be available to apply for. And how long would it take for a consumer to get that coupon back after they apply, if they go online? What are your folks telling you?

Mr. KNEUER. For the very early phases of the program, we are going to manage the distribution of the coupons that we get requests for based on the availability of boxes and the availability of retailers. So if there is not widespread availability of boxes and widespread retailer participation in early days of 2008, we probably wouldn't send those coupons out until we had that visibility. But once the full system is in place, it will be a matter of days on the turnaround getting into the mail from the time we receive the request.

Mr. WALDEN. It strikes me that that is going to be a frustration point for consumers who apply and don't get it. And maybe they were going to go 60 miles away outside of their Zip Code to get a box, and they can't do it.

Mr. KNEUER. We have the ability to adjust the program in lots of different parameters throughout the entire part of the program. So the early forms will probably indicate expect a number of weeks for delivery. Or if you call on the phone, they will say the coupon will be there in a couple of weeks. Later it will be adjusted to match up with the supply. We don't anticipate in all of the research that we have done and the visibility we are getting from our vendors, we do not anticipate a large volume in the early days of 2008.

Mr. WALDEN. What about the rollout of the boxes themselves? You brought a prototype there.

Mr. KNEUER. This is actually a for market. It is not a prototype. This is a certified box.

Mr. WALDEN. And are there any certified boxes available today in a retailer that you are aware of?

Mr. KNEUER. Not coupon-eligible boxes. There are some digital-to-analog conversion devices that are integrated into other devices, DVD players and such.

Mr. WALDEN. And when do the manufacturers tell you they will have these boxes ready to actually roll out and in the stores in the retailer outlets?

Mr. KNEUER. Throughout our management of the program, it is going to be collecting information from the participating retailers, from manufacturers to the extent we can. A lot of this is very business, proprietary and sensitive information, so they don't want to put into a public record, we are shipping *X* number of units to the following stores because that can dictate competitive behavior by others. But we are working with the retailers who are certifying and getting a sense from them, because, like I said, when we deliver a coupon, we are going to deliver a list to the consumers, the certified boxes, here is where you go to get them.

Mr. WALDEN. And I am thinking in my district, which is very rural—and I live in one Zip Code and people not too many miles away live in another—there is no retailer in that Zip Code. So are you going to pull multiple Zip Codes?

Mr. KNEUER. We are working on the best way to deal with that scenario.

Mr. WALDEN. Like within a 20-mile or 50-mile radius?

Mr. KNEUER. It may not be exclusively Zip Code specific. We have the Zip Code of the consumer because that is where we are mailing the boxes. And then we may say it may be a geographic within 10 miles, within 15 miles. We are working through what we have the capability to do.

Mr. WALDEN. I hope those of us, especially in rural areas, you will look at how big a swath you need to reach out to. It may be 100 miles. I have parts of my district that are at least 100 miles to the nearest stop light, and I am not exaggerating, and 5 miles to the nearest freeway. And so what works in an urban area, as you well know, won't work in a rural area. Can I beg your indulgence?

Mr. MARKEY. Only that the roll call is about to break, and I want to allow the members. I apologize to you.

Mr. WALDEN. I remain deeply concerned about the rollout of the boxes, would be the one point I would leave you with.

Mr. MARKEY. I thank the gentleman. Just to make sure as many members can ask questions.

The gentlelady from California, Ms. Eshoo.

Ms. ESHOO. Thank you Mr. Chairman. All the members have asked really terrific questions. I think the gentleman from Oregon has really asked some practical ones. The answers give me some pause, but you still have time to work on them. Now, Mr. Kneuer, you spent some time, I think in your written statement, certainly in your spoken statement, about the message. Now, you are responsible for coordinating it. What is the message that you have approved with the various organizations? Do you know it off the top of your head? Is there a tag line that then has some of the details? What is it? What is the campaign to inform people?

Mr. KNEUER. What we are spending the most money on of our $5 million is coming up with tailored messages for tailored——

Ms. ESHOO. Do we have them yet? Do you have them?

Mr. KNEUER. They will be market tested and polled so that people understand them as best they can for those particular constituencies.

Ms. ESHOO. I would really like to know what they are when you come up with them.

Mr. KNEUER. Sure.

Ms. ESHOO. Because I think that it is very important. Now, let me ask about something that you had in your written statement about the solution to the challenges of the education program. You said it is not the establishment of a single digital transition authority or single Government mandated message but that a multiplicity of messages and sources of information is critical to a well-informed consuming public.

Now, the GAO, in their latest report on the transition, stated that there isn't any comprehensive education plan, and without one, there are no defined goals, objectives or metrics for measuring success. So have you developed a metric? How are you going to measure what you are doing?

Mr. KNEUER. We have the ability throughout the program, like I said, to measure the trends for request of coupons, for redemption of coupons in different areas.

Ms. ESHOO. I'm sorry, I didn't hear you. You do have a metric by which you are going to measure?

Mr. KNEUER. We will measure in real time the geographic and demographic request for coupons or redemption of coupons. The point of the testimony was that consumers have lots of different choices on how best to effect the——

Ms. ESHOO. I understand that you said that you are going to do that. I am asking you how you are going to measure your objectives? Just to say that you are going to do it doesn't mean that it is going to be successful. So once you put it in place, how are you going to measure it?

Mr. KNEUER. There is going to be——

Ms. ESHOO. That is irritating; isn't it? I know.

Mr. KNEUER. All of the different——

Ms. ESHOO. You feel like someone is banging on your head.

Mr. KNEUER. We are going to do a measurement on the request for and redemption of coupons. We are working very broadly on a public-private partnership with the other Federal agencies, with other service organizations, with the broadcasters and with the cable companies. They are doing polling to get information on what the level of awareness is by demographic, by geography and then focusing their education based on that polling. We then are working with them to make sure as they are making them aware that they are also making them aware of the availability of our program. So it is, lots of different market participants and constituency groups that have an interest in a successful transition working together, like I said, in this very broad public-private partnership.

Ms. ESHOO. I think that when you develop these "messages" that your PR people, or however you are coming up with this, I think it would be interesting to have it brought back to the committee. This is essentially a campaign.

Mr. KNEUER. Absolutely.

Ms. ESHOO. I think the people up here know something about developing a message and having it be effective and having it be relevant so people really know what is coming and what they need to do themselves.

Chairman Martin, one of the commissioners has recommended, as you know, a DTV task force. Do you support that? Do you think it would be helpful? Do you think that there is another way to go? I have a sense where you are, but for the record.

Mr. MARTIN. I am happy to end up coordinating as much as possible with the other Federal agencies. What one of the other commissioners has called for is for there to be an intergovernmental task force like there was in Y2K. That was actually established by an Executive order. The FCC itself didn't establish the Y2K task force. It was an Executive order that established an interagency task force. And so that is not something that I can end up even controlling. But I am happy to end up continuing to coordinate with Chairman Kneuer.

Ms. ESHOO. So where is it, though? Is it going to be that, or it is not?

Mr. MARTIN. I don't anticipate that there is going to be a further DTV task force that will be established across different agencies. I think that we will already end up coordinating. We have memorandums of understanding on issues, and we can continue to do that. But that is within our authority.

Ms. ESHOO. Well, first, it is going to be in the pity in terms of how it works with the American people.

Mr. MARKEY. I thank the gentlelady.

We have time for one more questioner. Then we are going to break and come back after three roll calls on the House floor. I would ask the witnesses to please wait because there will be other members who will be returning to ask questions.

And at this time, I will recognize the gentleman from Georgia, Mr. Deal. He will be our last questioner at this point, and then we will break and come back after the roll call.

Mr. DEAL. Mr. Chairman, since my colleague Mr. Shimkus has been here the whole time and I have had to leave, would it be proper to defer to him, and then I will be back after the break?

Mr. MARKEY. It will be proper for you to defer, and it would also be a good example for other witnesses as to how somebody keeps getting reelected and understand how politics works.

So I recognize the gentleman from Illinois, Mr. Shimkus.

Mr. SHIMKUS. Thank you, Mr. Chairman. I want to thank my colleague. I didn't ask that. He was just very gracious. I will just make a couple quick points.

I am a supply guy. I am more supply and energy and really more supply for the consumers. And the thing that gets lost and the great thing about the digital transition in DTV, it gives the consumer another choice. And I think it was talked about in the opening statements, about more channels. So if we can phrase the debate of buying the converter box and you get more, that is good. We want cable. We want direct satellite. We want free over-the-air. We would like to see broadband deployment of video services. That competition will be great.

So I am excited about this. And I am a market person. The market can do this. And I think the market already is. The question was asked about how many coupons. Different associations have their own opinion. I think the broadcasters think 23 million. The communication electronics association thinks 8 million. In its first 24 hours on sale, Mr. Doyle has left, but he would appreciate this, "Harry Potter and the Deathly Hallows," the seventh and the first—and final installment of the book, in 24 hours sold 8.3 million books. Surely we can get, whether it is 8 or 23 million, digital converters out if we allow the market to do it.

I can guarantee you that the Government could never get 8.3 million books out in a 24-hour period. I can guarantee you that. So let us set some high standards. Let us trust the market. Let us check it. But the market wins over Government providing goods and services hands down lowest cost, quickest response time, day in, day out, bar none.

Chairman Martin, there are a couple concerns, though. One, the multi-cast must-carry order will affect some small cable companies, and there is a waiver process that I know of that exempts some of these companies. Can you describe this process as to how many waivers have been granted as of today?

Mr. MARTIN. I think you probably are referring to the viewability order where we said that they have to down convert the digital signals and continue to carry them in analog to their analog customers. There actually haven't been any requests for a waiver yet. We just adopted that ruling in September, so there haven't been any requests yet.

Mr. SHIMKUS. Mr. Kneuer, there is also concern about the household issue and senior citizen centers, and how are we going to deal with the definition of a household when you have a community under one roof in essence?

Mr. KNEUER. It depends on the community and on the senior citizen facility. I know many of them are actually more like apartment buildings, is the way they are viewed from the postal service, so that they actually have their own address and their own household, and they would be able to participate. The sorts of facilities that don't have that, that are much more closer to a hospital-like facility, I think for most of those television is supplied as part of that. But that is, again, the reason that we are working with these trusted intermediary groups, the sorts of organizations and service groups that provide assistance to people in those sorts of facilities making sure they understand the program, they understand the transition and that they can make assistance of the DTV transition part of the overall assistance they provide.

Mr. SHIMKUS. Thank you.

Two last things. One is advertising does work. We are all examples of that. And I know the industry that wants to sell things will want to do advertising, and that is where I am going to put my faith and trust in over the Government doing the advertising.

The second thing is, if the chairman, with the indulgence and because my ranking member is not here, for some brownie points, I would like to submit into the record Ranking Member Upton's editorial published in The Hill on October 16 on white spaces.

Mr. MARKEY. Without objection, it will be.

Mr. SHIMKUS. And that is all I have, Mr. Chairman. I yield back.

Mr. MARKEY. The gentleman's time is expired. There are 6 minutes left to go to vote on the floor. So, at this time, we will take a brief recess. It will actually be approximately 20 to 25 minutes, and then we will reassemble. This hearing now stands in recess.

[Recess.]

Mr. MARKEY. The subcommittee will reconvene. And we welcome you all back. I think we are going to have a bit of an uninterrupted stretch right now. The Dalai Lama is going to be receiving a Congressional Gold Medal. And I honestly do wish I could be over there, but in a way, we are going to make sure that poor people and minorities are protected if we can get this hearing to work in good shape.

Let me turn and recognize the gentleman from Georgia, Mr. Deal.

Mr. DEAL. Thank you, Mr. Chairman. And I will try to be quick.

First of all, let me follow up, Chairman Martin, with a question asked by Mr. Shimkus with regard to the dual-carriage issue as it relates to small cable companies. I believe you said you had not received any request for waivers at this time. One of the concerns we have heard expressed is that they are concerned that, if they file a waiver and it is denied, as to whether they would have sufficient time then to go back and become compliant, have you given thought to that issue and have you taken any steps in that direction? Maybe for example how long a timeframe would it be from the time a waiver request is submitted until a determination is made? Could you elaborate on that please?

Mr. MARTIN. I haven't given any thoughts to the timeframe, but I certainly will to make sure they are given that opportunity to make sure they come into compliance. But I would point out, and I think this is important in the context of talking about whether small cable operators who are saying that they need a waiver process, right now all of these same small cable operators are required and are successfully carrying broadcast channels to all of their viewers. And all we are saying is that, the day after the transition, they should have to do the same thing the day after as the day they are doing before; that all of their customers should still continue to get broadcast channels and that the digital transition for broadcasters should not be an excuse that a cable operator can remove a broadcast channel from the tier of channels that they are currently providing them to. So they are not going to be required to do anything additional, which is one of the reasons why I was skeptical of their concern in the expression that they have about why this is going to take up additional capacity. Because right now, they are already required to deliver those signals to their customers in an analog format, because they have analog customers. So they are not going to take up any capacity on their systems than they are doing today. So I am happy to end up looking at individual small operators if they say this is going to be an additional burden. But I am not sure I understand how it is an additional burden because, right now, the law requires them to deliver a broadcast system to an analog cable customer the day after the transition. All I am saying is and the commission said is, the day after that transition, they still have to deliver a signal to that ana-

log customer. So it shouldn't be any additional burden than it is the day before. But we will take a look at the waiver process. But I think we have to put in context the digital transition should not be an opportunity for cable operators to disenfranchise consumers from the broadcast stations they receive today.

Mr. DEAL. Of course, I think their concern is they will then be in the dual-carriage capacity.

Mr. MARTIN. But our rule did not require dual carriages. Our rule requires it to be viewable by everyone. If they have digital customers, they are required to deliver it in digital format today. And if they have analog customers, they are required to deliver in analog to customers today. They have chosen to do dual carriage by the design of their system. The rule is no different after. So if they have, if they want to provide set-top boxes to allow for their customers to watch analog signals so that their digital customers can still watch analog signals, some cable systems design their system that way and deliver their signals and meet their must-carry requirements in that manner, and they would still be able to do that. It is not a dual-carriage requirement. Dual carriage in the commission when we considered that was a debate about whether we should require the cable operators to carry both the analog broadcast signal and the digital broadcast signal. That would have been two broadcast signals they would have been required to carry to all of their homes. This is not dual carriage. We did not require that.

Mr. DEAL. Mr. Secretary, I believe you stated previously that you believe that allowing unlicensed devices to operate in the white spaces would be an efficient use of the spectrum. Do you still believe that, and if so, would you elaborate on your position on that?

Mr. KNEUER. Sure. The President launched a spectrum initiative for the entire administration back in 2003. And one of the activities we have been undertaking as part of that initiative is identifying efficiencies in spectrum use. We in the 5 gigahertz band were trying to find a way for unlicensed Wi-Fi like devices to operate in the same spectrum that is allocated to Government radar systems those sorts of sharing arrangements, different services using the same allocations of spectrum, present really powerful efficiencies and are a good way to use the spectrum. It is not easy. When we did it at five gigahertz for Wi-Fi like devices, unlicensed devices to co-exist with Government radar systems, we didn't solve those technical issues with the first attempt or the second or the third. It took an awful lot of hard work kicking the lawyers out of the room, getting the engineers in the room and working out these issues. I am confident that innovators and technologists can find these sorts of efficiencies. But the predicate that we had to allowing them into the band was demonstrating that it was on a non-interference basis and that it was technically sound. So I certainly support efforts to improve the efficient use of the spectrum by having the spectrum that is otherwise lying foul of being put to use. But you need to do the hard technical work up front. And I think the commission is working on that and the industries are working on that. And all I would say is, if at first you don't succeed, try, try, because you can achieve these efficiencies, but you have to do the hard technical work.

Mr. DEAL. Thank you.

Mr. MARKEY. The gentleman's time is expired.

The Chair recognizes the gentleman from Nebraska, Mr. Terry.

Mr. TERRY. Thank you, Mr. Chairman.

Chairman Martin, I am not going to ask you a USF question. I know that is unusual. But I will ask you something completely different now, an issue that is of concern to several of my small businesses back home that, as you know has a call center capital. And one of the questions or issues I have been working on is the clarification whether you can call a cell phone that has been left as the primary phone number to use, for example, if they have missed a payment or debt collection or something like that. If I recall from the letter I received back, is that FCC is exploring that, perhaps an order on that issue. I was just wondering where that is in the process? And I know you didn't come prepared to answer that question today, so if you need to get back to me on that, I would appreciate it. But all I want to know is where it is in the process.

Mr. MARTIN. Absolutely. And if I could, I would prefer to make sure I give you the most accurate information and get back to you on it.

Mr. TERRY. I would appreciate that. Now, it has been pretty thoroughly discussed, but the one issue that I really wanted to go through is the supply of these set-top boxes starting in January when the coupons become available. This committee went through pure hell on the part D rollout. And we had CMS in front of us look us straight in the eye blinking 100 percent confidence, that they had it all under control and there was going to be no issues on the rollout. And it was one of the biggest fiascos that we have been put through because they did not anticipate that on the first day of eligibility to sign up that there would be a mass of people signing up. The system was not prepared. The vendors weren't prepared. CMS wasn't prepared for that. And I just want to cover, once again, what the process is when people are going to, or in January 2008 when the coupons first become available, what the protocol or the system to make sure that there are adequate number of boxes sitting on the shelves. So, Mr. Kneuer and Chairman Martin, that falls in your jurisdiction. Again, set out how we are going ensure that there is enough set-top boxes on the shelves.

Mr. KNEUER. The statute calls for us to be ready to begin processing coupons in January 2008. Everything we have done is to encourage as much market participation by the market actors to be engaged as early as possible. The way I think we are going to manage January 2008 is syncing up the public education campaign with the availability of boxes and retailers. There has not been a very large public education campaign as of right now driving people to our program. And that is one of the ways that we coordinate in this public and private partnership with NAB and others, the broadcasters, the cable industry and others to say link it up as the availability comes up.

Mr. TERRY. So if I am interpreting somewhat sarcastically, if they don't know about it in January, they won't go get a box?

Mr. KNEUER. That's right. So we want to manage consumer expectation. If we have visibility into the supply chain from both the retailers and the manufacturers that we hear from large national chains that actually, do you know what, we are ready January 1,

then we will start driving the public education campaign to make sure that people are taking advantage of that. While we don't have those levels of commitment. We haven't heard from a major retailer saying, let them know we have got a warehouse full of these things today, and we have got our point of sale done, and we are ready to go January 1, 2008. I haven't heard explicitly otherwise either. While the vote was going on, I just got an announcement from Best Buy. They had removed all analog sets from their inventory. They are all digital. They have announced their intent to take part in our program and to have coupon eligible boxes in their stores in early 2008. They haven't said January 1; they said early 2008. So everything I have seen from interest from manufacturers, from the certifications we have been doing, from the expressions of interest that our vendors are having and the discussions they are having with retailers, we are going to have broad availability of retailers, broad availability of boxes with plenty of time for consumers to take advantage of this program before February 2009. If it is not necessarily January 1, 2008, we want to sync up our consumer education activities so we don't misalign their expectations. But we are ready on January 1, 2008.

Mr. MARKEY. The gentleman's time has expired. So Best Buy announced today they are not going to sell any more analog TV sets?

Mr. KNEUER. That they have removed them all from their inventory was the announcement.

Mr. MARKEY. It is like announcing you are not going to sell any more black and white TV sets since October 2007. So, thank God. Maybe other companies will. Because we will have a hearing here by the way. We will be having a hearing here like in the middle of January 2008, like 15 days in so that we can see how close it is to CMS. And so that will be a big moment. So Best Buy is at least trying to start to move where they are going to be hopefully by that date.

Let me turn and recognize the chairman of the full committee, the gentleman from Michigan, Mr. Dingell.

Mr. DINGELL. Mr. Chairman, I thank you.

Gentlemen, thank you for being here. I am going to make several statements, and then I am going to ask you if you agree or disagree. It is vitally important that the DTV transition proceed smoothly. It is important that consumers be fairly treated, properly informed and prepared for the transition, and that there must be close cooperation amongst the different Federal agencies. Is there any disagreement with that statement?

Mr. MARTIN. No.

Mr. DINGELL. Gentlemen, yes or no, do we need an interagency task force focused on the transition in order to see to it that the responsibilities of the different agencies are properly carried out? Beginning on the right with NTIA.

Mr. KNEUER. I don't know that we necessarily need a formalized task force in practice and day in and day out. We are coordinating with the FCC, with 13 other Federal agencies. So I think we have the functional equivalent of a task force in place.

Mr. DINGELL. All right.

Mr. MARTIN. I don't know that we need a task force. I certainly think we need coordination, and I think we are working hard at doing that with NTIA and FCC today.

Mr. DINGELL. All right, sir.

And Mr. Goldstein.

Mr. GOLDSTEIN. We haven't recommended a task force. We have recommended much greater comprehensive planning, as I indicated, so that you do have better risk mitigation so we understand the kinds of issues that may crop up and how to deal with them at this point.

Mr. DINGELL. Now, Mr. Martin, I believe you told Ms. Eshoo that certain agreements amongst Federal agencies and departments have been made concerning the DTV transition. Is that so?

Mr. MARTIN. Yes.

Mr. DINGELL. Would you see to it that the committee is made privy to those agreements, that copies are submitted to us for purposes of the record and that we understand what is in them?

Mr. MARTIN. Yes.

Mr. DINGELL. What are those agreements and with whom are they made and what do they do?

Mr. MARTIN. We have an agreement with NTIA to test the converter boxes to make sure that our engineering labs can test them to make sure that they can function appropriately. And I believe that either—I know that that memorandum of understanding, the existence of it I have made public before in either questions to this committee or to the Senate Oversight Committee, but I haven't provided the actual memorandum of understanding but of course I will.

Mr. DINGELL. Now, Mr. Goldstein, would the FCC need additional statutory authority to convene a task force to accomplish the proper coordination amongst the different departments that are going to be addressing these questions?

Mr. GOLDSTEIN. I don't believe so, sir. I believe that they have that authority today.

Mr. DINGELL. You think it can be done under existing authority. Now, would anybody disagree that the lead agency in addressing these questions should be the FCC? Yes or no.

Mr. MARTIN. I wouldn't agree that it should be addressing all of these questions. I certainly think we have an important role. But certainly, in the converter box program and the education in the spending of the $5 million that Congress gave to NTIA to spend on education, NTIA has to be the lead agency on those two because that is what Congress determined that they should be.

Mr. DINGELL. Now, Mr. Martin, this question. You have been given $2 million for DTV consumer education that is up from $1.5 million that the FCC had requested. The In Berlin, The German Government spent $1 million on consumer education in just one city with 3.4 million people. There are over 300 million people in the United States. Do you have enough money to provide the necessary education and public information on this matter? Yes or no.

Mr. MARTIN. No. If we are solely responsible for educating all the consumers, I think additional money would be necessary.

Mr. DINGELL. And I think that, Mr. Goldstein, you would agree that the FCC could do a better job with more money?

Mr. GOLDSTEIN. We haven't looked at it, sir, specifically.

Mr. DINGELL. How much money does the FCC need to conduct a proper information and education program for the people on what is going to happen when this DTV changeover takes place? Could you give us that answer either now, Mr. Goldstein, or could you tell us at some future time in response for purposes of the record?

Mr. GOLDSTEIN. I can't give it to you today, sir.

Mr. DINGELL. Would you please submit that answer for the record?

Mr. Martin, what is the amount of money you in fact need?

Mr. MARTIN. I can provide that to you, although I am not sure I can provide in public the amount of money we requested this year in our budget, but I will provide that to you.

Mr. DINGELL. I would like to have the answer, then, for purposes of the record.

Mr. Martin, I believe you have asked for more money than you have been given by either the OMB or the Appropriations Committee. What is the amount you asked for?

Mr. MARTIN. That I am happy to end up providing. I am not sure I am able to provide the amount.

Mr. DINGELL. Please submit it. This is a congressional committee. We have jurisdiction over your affairs. We are entitled to have this information. It should be public. I expect to get it. I hope that you will cooperate in seeing to it that we do so. And I would assure you that this committee will have the answer. And I am requesting that you submit it for purposes of the record.

Mr. Martin, if you would then please inform us, if you would receive additional funding, how would you use these funds? Would you please submit that for the record if you please?

Mr. MARTIN. Sure, of course.

Mr. DINGELL. Mr. Chairman, I have a number of other questions to ask. I will defer until the proper time. But I would like to know about the coupon funding and a number of other matters related to that. And I commend you for this hearing. And thank you. And to our witnesses, I also say thank you.

Mr. MARKEY. The chairman could have more time if he wants, of course.

Mr. DINGELL. If the Chair would be so gracious and I would not offend any of my colleagues, I have just a couple more questions.

Mr. MARKEY. Would any of my colleagues be offended if Mr. Dingell is given more time? The Chair hears no objection, Mr. Dingell. I think the objection might come from the witness table.

Mr. DINGELL. I have great respect for my colleagues, and the last thing I want to do is to affront them.

Gentlemen, this is a question for the GAO and for NTIA. NTIA has $1.5 billion to operate the converter box coupon program. The program is being launched, I understand, in two phases. First, $890 million for any consumer who wants to take advantage of the program. The last $450 million is reserved for analog-only over-the-air households. I understand we expect a surge in coupon requests at the end of the program in late 2008 or early 2009. Would you, Mr. Martin or Mr. Kneuer, give us the answer, do you expect those surges, and is that a fair statement? Yes or no.

Mr. KNEUER. I would expect that the demand for boxes will increase as we get closer to the date as the education campaign ramps up, as consumers become aware that actually this date is rapidly approaching.

Mr. DINGELL. Thank you. I am transgressing on the time of my colleagues, so I have got to hold these answers very short. Mr. Martin, your comment.

Mr. MARTIN. I expect that Secretary Kneuer is correct, that it would ramp up as we got closer to the date.

Mr. DINGELL. Now, I would like to ask each of you gentlemen, is it possible that some people who need a coupon will not be able to get one because there will not be enough money provided? Starting with Mr. Kneuer and then Mr. Martin and Mr. Goldstein. Is the answer to that yes or no?

Mr. KNEUER. No, I don't think there will be anybody left behind for want of resources. All the demand estimates we have seen we have got adequate resources.

Mr. DINGELL. Mr. Martin.

Mr. MARTIN. I guess I am not as confident in that. I would have to look at all of the figures that they have seen. Because, as I understand it, there is a cap on the amount of money the program can provide, and the demand could exceed that cap. So, yes, I think they could exceed that cap.

Mr. DINGELL. Mr. Goldstein.

Mr. GOLDSTEIN. I am not as confident either, sir. I think it is unclear how many people at this point will try to redeem coupons.

Mr. DINGELL. Have you performed any studies, beginning with Mr. Kneuer, Mr. Martin and Mr. Goldstein, to tell us what the answer is? Do we have every reason to believe there will be sufficient money on the basis of any study or not?

Mr. KNEUER. We have been looking to studies from market participants and other enemies. And as I think there have been testimony earlier this morning, those estimates range from——

Mr. DINGELL. Have you performed a study?

Mr. KNEUER. We have not performed a proper analysis.

Mr. DINGELL. Has anybody, to your knowledge, performed a study?

Mr. KNEUER. Yes. Industry and market participants.

Mr. DINGELL. Who?

Mr. KNEUER. The consumer electronics industry, as well as the public broadcasters.

Mr. DINGELL. Would you please see to it that your communications with the consumer electronics industry are submitted to the committee so we may know what has been accomplished, sir?

Mr. GOLDSTEIN. As part of our work ongoing for the Congress, we are going to be doing a survey to try to undertake and understand much better what the demand is going to be, how many households are out there and what the awareness is.

Mr. DINGELL. Would you see to it that anything relevant to that and to the question asked is submitted for the record please?

Mr. GOLDSTEIN. Yes, sir.

Mr. DINGELL. Mr. Goldstein, could NTIA use more money to fund the coupon program or not? If so, why and how much?

Mr. GOLDSTEIN. We don't know yet, sir. I think it depends on how much we expect demand to be. And as I indicated, that is something we don't know yet.

Mr. DINGELL. As a student of these kinds of matters, Mr. Goldstein, would you tell us whether adequate study and thought has been given by the two agencies, the FCC and the NTIA, as to whether the funding in the programs are adequate?

Mr. GOLDSTEIN. I would like to try to answer that for the record. I am not sure that I could do it off the top of my head. Let me get back to you, sir.

Mr. DINGELL. Would you submit then a proper answer to that question for purposes of the record.

Mr. GOLDSTEIN. Yes, sir.

Mr. DINGELL. Mr. Chairman, you have been very gracious, and my colleagues you have been very gracious. Mr. Chairman, I would like to submit a letter to the three agencies asking a number of questions. And I would ask that the record remain open so that that may be submitted to the agencies if you please.

Mr. MARKEY. Without objection, the questions will be submitted to the witnesses and their answers will be included in the record. Without objection, so ordered. The gentleman's time has expired.

Mr. Martin and Mr. Kneuer, have you met on this issue in person in the last month?

Mr. KNEUER. We have spoken on the phone about it. I don't know that we have gotten together. Maybe in the park with our kids, but mostly on the phone.

Mr. MARKEY. You talk about DTV in the park?

Mr. KNEUER. On occasion. That is the kind of life that we do in fact live.

Mr. MARKEY. I would recommend that the two of you meet.

Mr. KNEUER. But also I would be remiss not to point out that, on September 25, we had a public forum that Chairman Martin was gracious enough to address our group. Ours was coordinated with theirs, which was the next day, and our staff was there. I was unable to be there because of other commitments.

Mr. MARTIN. We were together on September 25, but we have spoken several times on the phone.

Mr. MARKEY. Excellent. And I think the committee would feel good if we knew you were meeting over the next 3 months in person.

The Chair now recognizes the gentleman from Michigan, Mr. Stupak.

Mr. STUPAK. Thank you Mr. Chairman. And welcome again to our witnesses.

Chairman Martin, if I may, I know Mr. Deal asked some questions about the small cable operators, but let me ask you a few questions if I may. Just last month, the FCC issued an order requiring cable companies, large and small, to pass along a digital signal of must-carry broadcasters in both digital and analog formats to their subscribers. It did not provide for an exemption for small operators. But cable systems with limited capacity may file for a waiver to relieve them of this obligation. I am troubled with this, especially as I reflect on my district, as I have some of the smallest mom-and-pop cable operators in the country with a sub-

scriber base as small as 133 subscribers. Now, the further notice of proposed rulemaking stated it would examine the impact of this requirement on small and midsize cable operators. So what steps do you plan to take in your further notice of proposed rulemaking to take into account the limited financial resources of small rural cable operators?

Mr. MARTIN. Well, first, I would like to start out by correcting what the rule did last September that we adopted. It didn't require them to always pass along both a digital and an analog signal. It required them to make the signal viewable to all of their subscribers just as it is viewable today.

Mr. STUPAK. So they have to carry two of them, right?

Mr. MARTIN. No, not necessarily. It could be a system that only had analog customers. They would only have to carry an analog. Or it could be that there are set-top box converters that actually have an analog tuner included so then all viewers would still be able to view all of the signals. So it depends upon the design of the system. But the important thing to remember is that those mom-and-pop cable systems in your district are required today to make sure that the analog broadcast signal is carried so that it is viewable by all the subscribers. All we are saying is that the switch from analog to digital broadcasting by broadcasters should not result in the removal of any of those signals from the cable system. However, they are delivering them today; they have to continue to deliver them. And that shouldn't require any additional capacity on the system because they are required to be delivering them today, and they are doing so successfully. What I would imagine us doing is understanding how a cable operator in your district is going to have the amount of capacity they have to dedicate to this increase when they are successfully delivering it today. So today they are taking an analog——

Mr. STUPAK. Why don't you just waive for these small cable operators? If it is a signal they have always been using, why can't they just continue to use that same signal as opposed to having to come back for a further notice of proposed rulemaking, which is expensive and time-consuming for small cable operators?

Mr. MARTIN. Because waiving the rule would mean that your constituents who are served by those subscribers would no longer get access to broadcast signals. Today a broadcaster puts out an analog signal, the cable operator takes the analog signal and delivers it to all of its subscribers. That means that he has analog subscribers that he delivers it in an analog format. All our rule says is that because we are requiring the broadcaster to switch from analog to digital broadcasting, the cable operator must deliver that digital signal's content to those analog homes. And they should not be able to stop delivering it only because the broadcaster was required to switch from analog to digital. Some of the cable operators wanted to reclaim capacity and no longer use it for broadcast signals and, in effect, stop providing broadcast signals to their customers. And what we said is, you can't do that. The digital transition is not an excuse to reclaim capacity and stop delivering broadcast signals. They can do it exactly as they are doing it today, so there is no additional burden whatsoever.

Mr. STUPAK. So you can craft a rule in which these small operators were exempt from this? I just think, when you have a 133 subscriber base, it is very expensive to keep coming back to the FCC.

Mr. MARTIN. If we exempt them from that that means they will not receive their broadcast signals and that will increase the demand on the set-top box converter program, and then that will increase the problems associated with the DTV transition. So I don't see why we should have the digital transition be an excuse for cable operators to no longer carry broadcast signals they were already required to be carrying.

Mr. STUPAK. I guess we will disagree on this. Let me ask you this one then. As you know, not all broadcasters are making the DTV transition on February 17, 2009. I am referring to the low powered television stations, class A stations and translators. Consumers in those markets might have different viewing options and therefore might require different consumer education efforts than the consumers in the rest of the country. In fact, the GAO points out in their report perhaps the hardest group to educate is a group of consumers who have to do nothing for the DTV transition. So how are you addressing these consumers as a larger part of your consumer education program?

Mr. MARTIN. Well, when Congress established the hard deadline, they did exempt out certain kinds of broadcast stations that weren't required to make that transition. While you are right they are not required, those consumers are not required to get a converter box at the same time, those stations are still going to have to go through a digital transition. So these consumers still trying to go get access to converter boxes is important.

Mr. STUPAK. Well, do you have any kind of hard date set?

Mr. MARTIN. No. We have allowed those stations to transition at the same time if they want to, but we haven't established a hard date to require them to.

Mr. STUPAK. Do you have any plans to speed the transition for these broadcasters, or it will allow them to broadcast on analog indefinitely, because most of them are on analog?

Mr. MARTIN. Most of them are on analog. And we have allowed them all to transition, if they would like to, to digital at any time, but we haven't required it because of the expense that they would incur. And it was actually as I said Congress's judgment that they decided that a hard date would not necessarily apply to those new stations.

Mr. STUPAK. If we exempt out the class A stations and the low-power ones, it seems to me it would have been easier to do it with the small cabler operators on my previous question. I don't deal any more with congressional direction, but it would have been easy to do it, too, because of the same factors. Thank you.

Mr. MARKEY. The gentleman's time has expired. I don't see any other members who are on the subcommittee. And so the gentlelady from Tennessee, Mrs. Blackburn, who faithfully attends all of our telecommunications hearings, even though she is not a member of the subcommittee, and sits through all of the eye-watering detail in a way that would put her in the upper percentile of most attentive members, is recognized for a round of questions.

Mrs. BLACKBURN. Thank you, Mr. Chairman. I appreciate your courtesy to continue to follow this issue. I enjoyed my service on the Telecommunications Subcommittee and continue to work on these issues. Secretary Kneuer, from the hearings we have had in the past, I honestly believe the market is going to take care of a lot of this information with the public and the retailers such as the move made by Best Buy today. They are going to do what is in the best interest of their customers. We know that that is going to take place. But I have found it so interesting, Mr. Goldstein, the survey that you referenced, the NAB survey that you referenced in your testimony, in which they found only 57 percent of over-the-air only customers were not aware of the DTV transition. And as you look at that and reread it, you realize their finding was that 43 percent of all of those customers know that that transition is taking place and have an awareness of that. And I find that a remarkably high number. And being here on Capitol Hill, I do not know if you walked around out here and randomly conducted that survey if you would find 43 percent of those that you encountered aware that this transition is taking place. So I would love to hear from you a little bit more about that survey, about the methodology that was used, how they came to the universe that they surveyed. Do you have that information or can you get that to share with us?

Mr. GOLDSTEIN. I would be happy to get that information for you. It is a NAB survey, not our own, so I would like to work with them a little, and I will be happy to supply that information to you.

Mrs. BLACKBURN. I think as background for that statement that it would be interesting to us. Because so many of our questions have centered around the awareness that people have and people knowing the steps to take, the time line to follow to make certain that they are not left in the dark and that they are still receiving some transmission. Also, Chairman Martin, the Intergovernmental Advisory Committee that was rechartered in June, it is made up of your 15 representatives. And what I would love to know is how often this group is meeting, what the results are that have been yielded to that, the recommendations if those are going to be public recommendations. And the chairman touched briefly on interfacing with the NTIA, what you all are doing there. And I think the Secretary, you and the Secretary mentioned that. And the other component of that is to know if you all are taking this information to local governments? Because we all know as this transition becomes imminent that the city halls and those city commissioners are many times going to be the ones that pick up that phone and take that call. So I would like to know a little bit more of the detail that is surrounding that process, if you will please, sir.

Mr. MARTIN. Sure. The Intergovernmental Advisory Committee as you referenced, the commission just adopted an order reconstituting that organization. We just recently announced what the parties were going to be, who the individual Government representatives were going to be on that committee. When we reconstituted it in the spring, we actually asked for applications who wanted to be a part of it. We just announced who are those people that will be a part of it. Asked them to meet and actually asked them to address this very issue. How do we incorporate the local governments into this process? Just as we have done on the consumer side

where we have already met with consumer organizations and gotten feedback from them on how we can better integrate their ideas and those organizations into our information process. And we have done things successfully at the local level like on the American Library Association, but we haven't at the local government level, which is what we have asked that group to look at.

Mrs. BLACKBURN. If I may interrupt just a moment then, so with this group you do have a plan of action for moving forward with local governments?

Mr. MARTIN. Yes.

Mrs. BLACKBURN. OK.

Thank you, Mr. Chairman. I yield my time back.

Mr. MARKEY. Thank you. And we thank the gentlelady for participating. We are going to complete this panel.

Chairman Martin, if you could let the committee know when you are going to finalize the technical rules for the transition that would be very helpful to us. You can do it in writing or you can just give us the——

Mr. MARTIN. Sure. Most of the technical rules have actually been completed. We released the final DTV table of allotments in August. There are several recompetitions. Some people didn't like the channel assignment they got and have come back in and asked. And we also had several waivers for people that missed the original deadline that then went to the bottom of the list. But we released the final DTV table of allotments. We have got some recompetitions that we will be dealing with in the next few months. But 99 percent of the channels have already been dealt with. We have also got one final order on the maximization of replication issues that is due out by the end of this year.

Mr. MARKEY. If there is anything remaining to be finalized, please do so. And we would also request that you also work with Secretary Kneuer on this issue of retailers taking advantage of people who might not fully understand that they are being moved over to a digital TV set when they actually qualify for a converter box that would work very well with their old TV set. So if you could have a partnership with Secretary Kneuer to accomplish that goal.

Mr. MARTIN. Sure.

Mr. MARKEY. Thank you. This has been a very productive hearing. What I would like, at the indulgence of the members, just to give each one of you to give us the 1 minute you want us to remember from your testimony as we are finishing right now. Just give us your 1 minute summary, here we are nearing the end of October.

Mr. Goldstein.

Mr. GOLDSTEIN. I think, Mr. Chairman, that the transition is moving along. We have seen a lot of progress. And I think the other witnesses have told what a lot of that progress is. However, we are concerned still that there are a lot of things that are left to be done, a lot of which is voluntary. It is not required by private industry that they participate. A lot of private industry will participate. And there is already evidence that it is doing so. But this is a very big transition. And to leave it all or mainly to voluntary participation and to some planning, but not extensive planning that really analyzes all the potential problems and loopholes and the

like, I think we feel is probably not in the best interest of the Government at this point in time. And so we do think there is additional work that the Government, principally FCC in conjunction with NTIA, still needs to do.

Mr. MARKEY. Thank you Mr. Goldstein, and thank the GAO for their good work.

Chairman Martin.

Mr. MARTIN. I think we have made significant progress on the technical policy, on the technical policy issues. Additional work needs to be done on the educational front. But I think the single most important thing that we can end up doing is changing our message from a negative one, that if you don't go buy a converter box, we are going to take away your TV signal, to a positive one, which says that if you go buy a converter box, you will get something additional out of it. And I think that the most important thing we can end up doing there is facilitating multi-casting so that over-the-air homes can have access to multiple broadcast signals without having to go and take advantage of the digital transition, without having to go buy an expensive HDTV set.

The over-the-air homes are disproportionately lower income. Telling them that the only way they will get advantage of this is to go buy an expensive HDTV set is I think a negative message for them. And I think if we are going to expect them to go out and purchase over-the-air converter boxes, even with the coupons that have been provided, they should be getting something for it. And I think to do that, we have got to facilitate multi-casting.

Mr. MARKEY. Thank you.

Secretary Kneuer.

Mr. KNEUER. It may look like we are down 3–1, but the series hasn't started.

Mr. MARKEY. I like that analogy.

Mr. KNEUER. The efforts that some view as voluntary are actually being driven by enormously powerful market self-interest, and I expect them to continue. And we have got a program that has been put in place and is going to be run effectively and efficiently for the American people.

Mr. MARKEY. Thank you.

And we thank this panel. It has been very helpful to this committee. Thank you.

And now we will just take a brief moment here while we allow the first group of panelists to move on. And we will have the second group of witnesses come up and sit in front of their names.

So we welcome our second panel. We apologize to you for the length of the first panel, but obviously these issues are very important to the American public. And this panel is equally as distinguished as the first and is critical in our ability to understand the issues.

We will begin with Claude Stout. He is the executive director for telecommunications for the Deaf and Hard of Hearing, Incorporated. He is testifying on behalf of the Coalition of Organizations for Accessible Technology, which promotes the development of accessible communications devices for people with disabilities.

We welcome you, Mr. Stout. Whenever you are ready, please begin.

STATEMENT OF CLAUDE STOUT, EXECUTIVE DIRECTOR, TELECOMMUNICATIONS FOR THE DEAF AND HARD OF HEARING, INC., ON BEHALF OF THE COALITION OF ORGANIZATIONS FOR ACCESSIBLE TECHNOLOGY

Mr. STOUT. OK. Thank you, Mr. Chairman.

Chairman Markey, Ranking Member Upton and members of the House Subcommittee on Telecommunications and the Internet, I am honored to have this opportunity to testify on an issue that affects millions of television viewers with disabilities.

My name is Claude Stout, and I am the executive director of telecommunications for the Deaf and Hard of Hearing, Inc., also the Chair of the Deaf and Hard of Hearing Consumer Advocacy Network. I am pleased to offer my testimony today on behalf of the Coalition of Organizations for Accessible Technology, COAT. This is a coalition of more than 130 national, regional and community-based organizations.

If all goes well, digital TV captioning would be the best invention since, hmm, analog TV captioning. You see, when I was young, I could not understand why my family was laughing while they were watching Jack Benny, Lucille Ball, Johnny Carson, as well as other comedians. Now I understand because of the DVDs that are out today with captions. And it was only when I entered Gallaudet University in the late 1970s that I was able to watch the ABC World News Tonight, not at 6:30 p.m. with everyone else—at dinnertime—but past my bedtime, at 11:30 p.m. Today, with grateful appreciation and tinged with anxiety, we are about to take the next step towards full integration in television.

The COAT Coalition represents more than 31 million individuals with hearing loss, 10 million individuals who are blind or who have vision loss, and millions of other individuals with other disabilities who benefit greatly from accessible television programming. Along with access to televised news, information and entertainment, access to televised emergency information enables these populations to understand and to appropriately respond to warnings of hazardous weather and other emergency conditions. COAT affiliate members are excited by the promise of digital television—the better television quality and multicasting.

Like most consumers, we look forward to the benefits of technological advances. Unfortunately, in the history of technological advances, people with disabilities are often left behind. In fact, we are already witnessing this phenomenon with digital television. Increasing numbers of individuals are seeking to purchase digital television sets or components and systems that provide digital video programming, and distributors are offering expanded digital programming. At the same time, we are receiving increasing reports of significant technical difficulties with the pass-through and the display of closed captioning. Time and again, our constituents report disappearing, delayed, garbled or otherwise unintelligible captioning on television shows that previously provided relatively problem-free captions.

A major difficulty for us in the DTV transition experience is determining the cause of these closed-captioning problems. For example, the failure to receive captions can be the fault of the local TV station or cable TV service that has begun broadcasting or offering

digital programming, the inability to pass through captions on the program distributor's set-top box, or a failure in the equipment used to receive and display the DTV programming, such as the receiver or its connecting components.

In addition to these technical difficulties associated with the DTV transition, there is some dispute over the extent to which TV networks now covered by the captioning rules are obligated to continue providing captions as they shift to digital programming.

When a standard definition analog network, whose programming has already been captioned, converts to or creates an HD channel with a similar programming lineup, the new HD channel should be held to the same closed-captioning obligation as its analog predecessor. However, some broadcasters and cable networks have taken the position that their new HD channel is a, "new network" that qualifies for an exemption from the FCC's captioning rules during the first 4 years of the network's operations.

If this interpretation were to be upheld, consumers would find themselves having to wait an additional 4 years to see captioning on programming which, but for its HDTV status, would already have to be captioned. This new network interpretation of the captioning rules violates Congress's intent to ensure the uninterrupted provision of closed captions with the onset of advanced technologies. It is commonplace for television viewers to select their channels and other TV settings from on-screen menus, but if you are blind or have low vision, you cannot access this information through a point-and-click, if you will, remote control or even use these menus.

Nevertheless, individual manufacturers have already demonstrated the technical feasibility of incorporating accessible user interfaces. When accessible user interfaces are required on all video devices, the incremental costs of adding these features will become negligible.

Caption viewers have also reported considerable problems navigating menus, some of which are hidden to activate captions after connecting the receivers, the monitors, set-top boxes and recording play-back devices that compromise their digital equipment. Often the interface that controls captions is buried several layers into an on-screen menu that is difficult, if not impossible, to find.

We know from experience that most manufacturers will not incorporate accessible user interfaces on their television sets or components unless mandated to do so. Virtually all technology-related access features have come about only after they were mandated by Federal law; for example, televisions with built-in closed captioning decoders. This is because the disability market still is not large enough, forceful enough, or wealthy enough to impact the manufacturer product design. No manufacturer wants to be the only one putting resources into accessibility features.

Consumers with disabilities have also encountered significant barriers when attempting to contact distributors of video programming and manufacturers of DTV equipment with concerns about accessing closed-captioning or video description. Customer service representatives or technical support personnel are often unfamiliar with closed-captioning and video description. Furthermore, many consumers with disabilities remain unaware of their right to file in-

formal complaints with the FCC or the Commission's ability to mediate and to resolve their problems. Additionally, even consumers with disabilities who may be aware of the complaint procedures often choose not to use those procedures because they find the complaint process too difficult to navigate. This is because the process for filing informal closed-captioning complaints with the FCC requires consumers to first notify distributors responsible for the delivery and the exhibition of the programming.

In summation, in order to smooth the transition to digital television for people with disabilities, COAT urges Congress to take the following steps: Direct the FCC immediately to clarify that it is the responsibility of broadcasts and other networks to continue captioning programs on their HD digital networks and show precaptioned programming with captions at all times.

Number 2, reinstate the FCC's video description rules.

Number 3, direct that digital televisions be designed so that individuals with vision and other disabilities can access all their functions.

Number 4, direct the FCC's complaint procedures so that the consumers with hearing loss and who are having difficulty accessing closed captions on DTV have a user-friendly means of seeking assistance and resolution from the FCC.

I am going to jump to the end. Remember, just as colors bring out extra meaning in video, captions or video description gives us a complete experience in television viewing.

I want to thank you, and I would like to leave my oral statement for the record with you as well. Thank you.

[The prepared statement of Mr. Stout follows:]

TESTIMONY OF CLAUDE STOUT

EXECUTIVE DIRECTOR,
TELECOMMUNICATIONS FOR THE DEAF AND HARD OF HEARING, INC.
CHAIR, DEAF AND HARD OF HEARING CONSUMER ADVOCACY NETWORK

ON BEHALF OF
THE COALITION OF ORGANIZATIONS FOR ACCESSIBLE TECHNOLOGY (COAT)

U.S. House of Representatives
Subcommittee on Telecommunications and the Internet
Committee on Energy & Commerce

On the Status of the Digital Television Transition

October 17, 2007

WRITTEN STATEMENT OF CLAUDE STOUT

Chairman Markey, Ranking Member Upton, and Members of the House Subcommittee on Telecommunications and the Internet, I want to thank you for the invitation to discuss the topic of the digital television (DTV) transition. I am honored to have this opportunity to testify on an issue that affects millions of television viewers with disabilities. My name is Claude Stout, and I am both the executive director of Telecommunications for the Deaf and Hard of Hearing, Inc. (TDI) and the Chair of the Deaf and Hard of Hearing Consumer Advocacy Network (DHHCAN). I am pleased to offer my testimony today on behalf of the Coalition of Organizations for Accessible Technology (COAT), a coalition of more than 110 national, regional, and community-based organizations dedicated to making sure that as our nation migrates from legacy telecommunications, such as analog television, to more versatile and innovative digital communication technologies, people with disabilities will not be left behind.[1]

[1] A list of COAT affiliate members supporting the COAT agenda can be found at http://coataccess.civicspaceondemand.org/node/9.

Introduction and Background

COAT offers this statement on behalf of over 31 million individuals with hearing loss,[2] 10 million individuals who are blind or who have vision loss, and millions of individuals with other disabilities who benefit greatly from accessible television programming. Along with access to televised news, information, and entertainment, access to televised emergency information enables these populations to understand and appropriately respond to warnings of hazardous weather and other emergency conditions.

COAT affiliate members are excited by the promise of digital television, the better picture quality, multicasting, and the transfer of spectrum, which, among other things, will enable first responders to be more effective in emergency situations. Like most consumers, we look forward to the benefits of technological advances. Unfortunately, history has shown that all too often, people with disabilities have been left out or left behind as these advances have taken place.

In fact, we are already witnessing this phenomenon with digital television. Despite promises of a glorious future for closed captioning, access to television programming has apparently taken a step backward. Increasing numbers of individuals are seeking to purchase digital television sets or components and systems that provide digital video programming, and distributors are offering expanded digital programming – and in particular programming in the high definition (HD) format. At the same time, we are receiving increasing numbers of reports of significant technical difficulties with the pass through and display of closed captioning.

Specifically, concerns have been raised about the following:

- Caption viewers report a number of technical difficulties associated with viewing captions on DTV, including captions that are garbled, delayed, misplaced, or otherwise unintelligible;

[2] Kochkin, S. MarkeTrak VII: Hearing Loss Population Tops 31 Million People, The Hearing Review, Vol. 12(7) July 2005, pp. 16-29.

- Networks whose analog channels were previously covered by the FCC's closed captioning mandates now deny coverage for their new HD channels, even when the newer channels have the same programming format as their analog predecessors;
- Viewers are having a hard time figuring out how to access closed captions and video descriptions on DTV components, including tuners supplied by television manufacturers and set top boxes provided by cable and satellite companies;[3]
- Consumers are struggling to resolve complaints about DTV issues with companies or with the FCC; and
- Individuals who are blind or have low vision still have negligible access to television programming because of the scarcity of video description.

I will elaborate now on each of these concerns:

Technical Difficulties

Television viewers who rely on captions to understand the content of video programming join the rest of the American public in wanting to make the transition to innovative and exciting digital television. As DTV equipment has become more affordable and available, more and more of these viewers have acquired equipment that will allow them to enjoy such enhanced viewing. But time and again, these consumers have been frustrated and disappointed. Many report disappearing, delayed, garbled or otherwise unintelligible captioning on television shows that previously provided relatively problem-free captions. Specific problems have been documented, including overlapping captions (two lines of captions displayed over each other), captions appearing in the middle of the television screen (blocking faces and other important visual information on the screen), captions running off the edge of the picture, captions exceedingly small, and captions that inadvertently switch to text mode which causes 95% of the screen image to be obscured.

[3] Video description is the provision of verbal descriptions of on-screen visual elements that are provided during natural pauses in dialogue.

A major difficulty for consumers in the DTV transition is determining the cause of these closed captioning problems. Indeed, experience shows that any one or a combination of factors can be a culprit in creating barriers for captioning users. For example, the failure to receive captions can be the fault of the local TV station or cable TV service that has begun broadcasting or offering digital programming, the inability to pass through captions on the program distributor's (e.g., cable company's) set top box, or a failure in the equipment used to receive and display the DTV programming, such as the receiver or its connecting components. Unfortunately, regardless of the problem source, consumers are left "holding the bag" each time they are unable to access captions.

Confusion over Scope of FCC Captioning Mandates

In addition to these technical difficulties associated with the DTV transition, there is some dispute over the extent to which TV networks now covered by the captioning rules are obligated to continue providing captions as they make the shift to HDTV and other forms of digital programming.

It would appear obvious that when a standard definition (SD) analog network, whose programming has already been captioned, converts to or creates an HD channel with a programming line-up that contains a significant amount of programming that is similar to that analog network, the new HD channel would be held to the same obligations to have closed captioning as its analog predecessor. However, some broadcasters and cable networks have taken the position that their new HD channel is a "new network" that qualifies for an exemption from the FCC's captioning rules. Specifically, they point to that section of the FCC's rules that exempts

programs shown on new networks from having captions during the first four years of the network's operations.[4]

This interpretation of the FCC's captioning rules makes little sense. Even when the HD channel repackages its programming so that it is slightly different than its predecessor network – e.g., by slightly altering its programming schedule – the HD network should be subject to the captioning rules to the same extent as its analog predecessor, so long as the digital network is substantially similar to that predecessor. If this is were not the case, then consumers would find themselves having to wait an additional four years to see captioning on programming which, but for its HDTV status, would already have to be captioned.

This "new network" interpretation of the captioning rules offered by some SD/HD networks flies not only in the face of logic; it violates Congress's intent to ensure the uninterrupted provision of closed captions with the onset of advanced technologies. The explicit directive of the Communications Act could not be clearer in this regard. Section 330 of the Act states: "As new video technology is developed, the Commission shall take such action as the Commission determines appropriate to ensure that closed-captioning service continues to be available to consumers."[5]

Even when the programming schedule of the enhanced HD network is substantially different than its analog counterpart – and the digital channel can legitimately be called a "new

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[4] See 47 C.F.R. § 79.1(d)(9). For example, COAT received reports of this occurring when the Discovery Channel began broadcasting over Discovery HD. We are told that in 2005, the HD channel failed to caption the same programming that had previously been captioned in its analog predecessors (i.e., Discovery, Discovery Kids). When asked about this, the company asserted compliance with the FCC's rules because it had initiated its HD programming in 2002, and still had another year before its "new network" exempt status expired. Charges of other networks simultaneously broadcasting live events on SD and HD channels, but only adding captions to the SD broadcasts similarly have been reported.

[5] 47 U.S.C. § 330(b).

network" – at a minimum, pre-captioned programming shown on the newer network should be re-shown with those captions.[6] COAT asks the Committee to request the FCC to clarify this point sooner rather than later during this digital transition period, so that TV viewers who rely on captioning will not lose access to the programming that they have been able to watch in the past.

User Interfaces

It is commonplace for television viewers to select their channels and other TV settings from on-screen menus. But if you are blind or have low vision, you cannot access this information through a "point and click" remote control or even use a touch screen. Individuals who are blind or have vision disabilities are thus denied the ability to control various aspects of the DTV programming that they watch. The technical feasibility of incorporating accessible user interfaces has already been demonstrated by a few individual manufacturers. When accessible user interfaces are required on all video devices, the incremental cost of adding these features will become negligible.

Caption viewers have also reported considerable problems navigating menus, some of which are "hidden," to activate captions after connecting their digital television equipment – equipment that typically is comprised of separate receivers, monitors, set top boxes, and recording/playback devices. Often the interface that controls captions is buried several layers into an on-screen menu that is difficult, if not impossible to find. Even those consumers who are able to figure out how to turn on captions on their home equipment have an often insurmountable task when trying to activate captioning in locations away from home. For example, it is with increasing frequency that we hear of deaf and hard of hearing consumers going to hotels and not being able to watch TV simply because there is no way for them to turn on captions. On one such occasion,

[6] A similar obligation requiring video programming distributors to pass through captions of programs that were previously captioned already exists.

COAT has learned, it took a hotel technician two hours to set up captions; on another occasion, hotel staff realized that the only means of retrieving captions was by means of a single "master" remote control that the hotel owned (and did not want to leave with any one guest). The remote controls distributed to guest rooms in that hotel were apparently for the "cable box," not the "television," and could not activate the captions.

COAT has initiated discussions with digital television manufacturers to help them understand the extent to which the user interfaces on their television equipment may adversely impact consumers with hearing and vision disabilities – and by association, the families and friends of these television viewers. While our efforts have been rewarded by a few design changes – for example, by the addition of a designated closed captioning button on the remote controls for certain digital-to-analog converter boxes – we know from experience that the vast majority of manufacturers will not incorporate all of the necessary accessible user interfaces on their television sets or components unless mandated to do so. In the past, virtually all technology-related access features have come about only after they were mandated by federal law – for example, hearing aid compatible telephones and televisions with built-in closed captioning decoders. This is because the disability market – while growing with our ever-expanding aging population – still is not large enough, forceful enough, or wealthy enough – to have an impact on manufacturer product design. With competition the way it is, no manufacturer wants to be the only one putting resources into accessibility features.

When, however, Congress directs that access be incorporated on an industry-wide level, the competitive playing field is leveled, economies of scale force the cost of compliance down, and consumers get the access they need. To this end, we come to you today seeking mandates that would accomplish several goals. First, we ask for a requirement for digital televisions to be

designed so that individuals with disabilities can access all of their functions, including the receipt, display, navigation or selection of video programming. Among other things, this will require audio output to accompany on-screen text menus or other visual indicators used to access video programming functions, to allow control of these functions by people who are blind or have low vision. Second, Congress should require a conspicuous means of accessing both closed captioning and video description on digital television equipment. This should include provision of a button on the television's remote control that could activate closed captions, as well as the ability to control closed captions and video description on the top tier of the television equipment's set-up menu.

It is critical for both captioning and video description users to be able to effectively use the accessibility features that are added to video programming content. Put simply, it makes little sense for broadcasters to go through the time and expense of incorporating captions and video description if the beneficiaries of these features are not able to find and access them easily.

Barriers to Resolving Concerns

Consumers with disabilities have also encountered significant barriers when attempting to contact distributors of video programming and manufacturers of DTV equipment with concerns about accessing closed captioning or video description. The reasons for this are many:

- Customer service representatives or technical support personnel are often unfamiliar with closed captioning and video description and simply do not understand the content and context of the consumers' concerns.
- Customer service representatives or technical support personnel are typically not familiar with telecommunications relay services that are commonly used by persons with hearing and speech disabilities, and hang up or otherwise disregard the phone call.
- Customer service representatives or technical support personnel may choose not to respond to e-mail requests, particularly in a timely manner. Such text-based communications are commonly used by persons with hearing loss.

Furthermore, many consumers with disabilities remain unaware of their right to file informal complaints with the FCC, or the Commission's ability to mediate and resolve their problems. Additionally, those consumers with disabilities who may be aware of the complaint procedures often choose not to use those procedures because they find the complaint process too difficult to navigate. This is because the process for filing informal closed captioning complaints with the FCC requires consumers to first notify distributors responsible for the delivery and exhibition of the programming at issue, cite the specific FCC regulation violated, and include detailed complaint content in order for the FCC to pursue the complaint.[7] The FCC's procedures also contain overly complicated timelines and unduly long response times.

As a consequence, when consumers do confront problems with their TV distributor or with the manufacturer of a DTV product or device, most of the time, in utter frustration, they give up and revert to using their "old" television receiving components. While this may be an option now, it will no longer be an option in February 2009. COAT notes that the clock is ticking loudly and these problems must be resolved before the time remaining for analog programming expires.

COAT asks the Committee to urge the FCC to overhaul its regulations governing the handling of consumer concerns and complaints on closed captioning, so that (1) the Commission and television distributors have a more rapid and efficient means of learning about problems associated with the digital transition and (2) the FCC and the DTV industry can take the steps necessary to remedy these problems before they cause consumers to lose television access.

Video Description

The Communications Act of 1996 authorized the FCC to conduct an inquiry to assess the appropriate means of phasing video description into the television marketplace. Although the

[7] See 47 C.F.R. § 79.1(g).

FCC's response to this grant of authority was a modest requirement that broadcasters and other multimedia video programming providers in the top 25 major national markets provide video description on four primetime programming hours per week,[8] this requirement was overturned in federal court a little over a year after it was adopted.[9] As a consequence, there are no federal requirements to make television programming accessible through video description. COAT seeks reinstatement of the FCC's video description rules so that Americans with vision loss have an equal opportunity to understand and enjoy television content.

Notwithstanding the lack of video description mandates, some networks still offer this form of accessibility on a voluntary basis. However, COAT is concerned that, as the digital television transition takes place, the lack of attention given to this form of accessibility by DTV distributors and equipment manufacturers may seriously impede the ability of video descriptions to reach consumers, even when these descriptions have been added to programming. To prevent this from occurring, COAT urges the Committee to immediately require that the DTV standard include video description, which is consistent with the recommendation made by the 1998 Presidential Advisory Committee on Public Interest Obligations of Digital Television Broadcasters:

> Utilization of video description as a form of providing access has been hindered by the analog standard, which only permits delivery of descriptions via the secondary audio program channel. In contrast, digital technology offers multiple audio channels, with significantly greater bandwidth, that can more easily accommodate video descriptions. We recommend that broadcasters allocate sufficient audio bandwidth for the transmission and delivery of video description in the digital age to make expanded use of this access technology technically feasible.[10]

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[8] *Video Description of Video Programming*, Report and Order, MM Dkt. 99-339, FCC 00-258, 15 FCC Rcd 15230, amended in part at Memorandum Opinion and Order on Reconsideration, FCC 01-7, 16 FCC Rcd 1251 (2001).

[9] *Motion Picture Association of America, Inc. v. Federal Communications Commission*, 309 F. 3d 796 (2002).

[10] Charting the Digital Broadcasting Future: Final Report of the Advisory Committee on Public Interest Obligations of Digital Television Broadcasters (December 18, 1998) at 62.

During the period in which the FCC's video description rules were in effect, broadcasters routinely demonstrated the technical and economic feasibility of description by adding this feature to their programs. With the advent of digital television, it is easier than ever for broadcasters to build into the digital structure ways to pass video description along to viewers. However, it is imperative to take this action now while DTV is nascent, because the failure to do so may lead to greater technical and economic obstacles to providing description in the future.

COAT RECOMMENDATIONS

In order to smooth the transition to DTV for people with disabilities, COAT urges Congress to mandate the following:

1. Direct the FCC to clarify that it is the responsibility of broadcast and other networks that have made the transition from an SD to HD channel or other digital programming to continue captioning programs on their HD/digital networks when the content and format of those networks is substantially similar to that of their analog predecessors. The FCC should further be directed to clarify the obligation to show pre-captioned programming with captions at all times, even when the re-exhibited programming that contained those captions is shown on a new network that is substantially different from its analog predecessor.

2. Reinstate the FCC's video description rules and ensure that digital signals have sufficient capacity to make available the transmission and delivery of video description. This will require having the FCC require programming distributors, in their coordination efforts, to ensure the proper processes for carrying video description so that it is passed through properly to the viewer.

3. Direct that digital televisions be designed so that individuals with vision and other disabilities can access all of their functions, including the receipt, display, navigation or selection of video programming. Include within this, an obligation for audio output for on-screen text menus or other visual indicators used to access video programming functions.

4. Direct manufacturers of DTV equipment to provide a conspicuous means of accessing both closed captioning and video description on digital television equipment. This should include provision of a button on the television's remote control to activate closed captions and the ability to control closed captions and video description on the top tier of the television's on-screen menu.

5. Direct the FCC to revise its complaint procedures so that consumers with hearing loss who are having difficulty accessing closed captions on DTV have a user-friendly means of seeking assistance and resolution from the FCC.

6. Direct the FCC to require broadcasters and multi-channel video programming distributors (MVPDs) covered by the FCC's captioning rules to put into place customer service practices that are easily accessible and capable of responding swiftly to consumer inquiries and complaints concerning the provision of closed captions on DTV by their stations and networks. Among other things, the FCC should require these entities to designate a point of contact to handle such inquiries and complaints, and to identify this contact on both the FCC's and the covered entity's websites, as well as in billing inserts and promotional materials. This will alert distributors to DTV problems and provide for speedier resolutions.

7. Direct the FCC to require broadcasters and MVPDs to begin comprehensive testing of the closed captioning pass-through capabilities of their DTV systems, and implement solutions wherever technological barriers are encountered during this testing process, well in advance of the transition date in February 2009. To achieve these goals, the FCC should convene a working group of broadcasters, MVPDs, DTV product manufacturers, including manufacturers and distributors of television receiving equipment and set top boxes, and captioning providers and consumers, to ensure compatibility with captioning services before bringing these to market. This group, which should include top engineering personnel from the relevant industries and the Commission, should be tasked with

    a. identifying current and anticipated problems with the transmission and display of captions over digital programming;

    b. evaluating and assessing their components, systems, and set top boxes for compatibility with captioning services;

    c. developing solutions to existing and potential problems in order to ensure the capability to pass through closed captions intact to the consumer;

    d. publishing widely solutions for pass through of captioning and video description.[11]

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[11] Many of these suggestions have been submitted to the FCC in *Third Periodic Review of the Commission's Rules and Policies Affecting the Conversion to Digital Television*, Notice of Proposed Rulemaking, MB Dkt 07-91, FCC 07-70 (May 18, 2007).

Conclusion

We call upon Congress to ensure that people with disabilities – including the rapidly growing population of senior citizens who experience reduced vision and hearing with increasing frequency – are not left behind as the DTV transition takes place. On behalf of COAT, I thank the Committee for this opportunity to share our concerns and urge you to take the necessary steps to ensure a smooth transition to DTV programming for all Americans with disabilities.

Mr. MARKEY. I thank you very much, Mr. Stout, and all of your testimony will be included in the record in its entirety.

I will note that I see Karen Strauss sitting right behind you. And you might have noticed me limping in and out of the committee hearing room, but that is because I actually had an Achilles rupture while playing basketball with nine 20-somethings outdoors, and that included her son, Jeremy, which is something I probably will not be doing again.

Ms. STRAUSS. I hope you feel better.

Mr. MARKEY. Thank you. I appreciate it.

The next witness will be Amina Fazlullah, who is an attorney for the U.S. Public Interest Research Group. The U.S. PIRG recently conducted research into DTV consumer education efforts by retailers.

So we welcome you. Whenever you are ready, please begin.

STATEMENT OF AMINA FAZLULLAH, STAFF ATTORNEY, MEDIA AND TELECOMMUNICATIONS, U.S. PUBLIC INTEREST RESEARCH GROUP

Ms. FAZLULLAH. Thank you, Chairman Markey, Ranking Member Upton and members of the committee.

My name is Amina Fazlullah, and I am a media and telecom staff attorney for the United States Public Interest Research Group. U.S. PIRG is the Federation of State Public Interest Research Groups, a nonpartisan, nonprofit public interest advocacy organization that is based in 30 States.

On behalf of our members across the country, I want to thank you for the opportunity to testify at today's hearing on the upcoming digital television transition.

It has been nearly 2 years since Congress established the official transition date from analog television broadcasting to digital. Yet, virtually no U.S. consumer knows what will happen on February 17, 2009. I know that there was a 46 percent number that was out there, but I think that there are plenty of consumers who are still out there who are not aware. On that date, television broadcasters will switch from analog to digital signals.

The transition offers the country the return of a valuable "beachfront property" spectrum, that can be used to enhance emergency communications, to spur innovation, and to improve broadband connectivity.

One other thing will happen on February 17. Every consumer who watches over-the-air television with an analog set will have their set go dark, including the estimated 22 million customers in this category, or 8 million households, with at least one member who is older than 50.

The Government is, of course, at least aware of this problem, and Congress has allocated funding for an education program. The relevant agencies have required that manufacturers stop producing new analog televisions and that retailers properly label their remaining analog televisions at the point of sale, a problem that we find in the stores to still be occurring.

Congress has also allocated funding to provide coupons to help consumers pay for the necessary converter boxes to get their analog television sets to work again. Yet, based on preliminary U.S. PIRG

research which we will discuss today, neither the Government nor the retailers are adequately preparing consumers for the impending DTV transition.

Industry stakeholders have made substantial promises to inform the public, and I am heartened to hear today of moves on behalf of Radio Shack and Best Buy.

While U.S. PIRG agrees that this transition cannot be successful without the support of industry, we believe that industry's participation must be mandated and closely monitored to ensure that consumers receive full protection throughout the transition.

As of August 2007 and, actually, as recently as the end of September, U.S. PIRG completed preliminary studies that surveyed the top five electronic retailers in the DC Metro area. As a quick update to our study, we are starting to push those studies into 10 different States across the Nation to follow up on our preliminary results.

Our initial findings in the DC area were based on interviews with clerks and supervisory personnel, and they are alarming. They show that despite industry promises to educate and prepare personnel, all five top retailers have personnel who provided inaccurate or even misleading information.

Our surveyors found that, when asked, retailers did not acknowledge the existence of converter boxes or the coupon program. In many cases, the retail staff told surveyors that, to continue to receive broadcast signals, that their only choice would be to buy a brand new television set or even an upgraded HDTV—a more expensive, high-definition television—which is not necessary to receive digital television signals.

In the Virginia area Wal-Mart, our surveyors were told that their only option was to buy a brand new HDTV or sign up for cable service. In a Virginia area Best Buy, our surveyors were told that the upcoming transition meant that signals would now all be HDTV signals, and consumers would have to buy a brand new HDTV to continue getting their over-the-air television.

In another Virginia area Best Buy, our surveyors were told that to continue receiving television signals after the transition, they would have to purchase a useless HDTV tuner, which would have cost them at least $170.

In a Virginia area Target, our surveyors were told of converter boxes, but were told that there were no discounts, that there was no Government program, and that a brand new digital television set would actually be cheaper than the converter box program at initial cost.

In almost every store surveyed, we found a number of analog television sets on the shelves, sometimes labeled on the box or on the shelf; but in all stores, it could be easy for consumers to miss the warning labels. Throughout this fall and this year's holiday shopping season, it is crucial that bargain hunting shoppers are not duped into purchasing a slightly discounted analog television set when they will have to purchase a converter just months later.

Our surveys were designed to account for a lack of boxes on the shelves and the—at that time—unknown manager of the coupon program, but Best Buy was the only store at that time to provide print information in both Spanish and English. Unfortunately,

their store representatives had clearly not read the brochure and were unable to repeat or even reference the brochure.

We have only a few months to ensure that the benefits of the transition do not come at a cost to our most vulnerable consumers. And while the return to Spectrum holds exciting new opportunities for nationwide, broadband or wireless service, we have got to make sure that we put efforts into the transition and efforts into research and into preparing consumers.

Thank you.

[The prepared statement of Mr. Fazlullah follows:]

AMINA FAZLULLAH,
MEDIA AND TELECOMMUNICATIONS STAFF ATTORNEY,
UNITED STATES PUBLIC INTEREST RESEARCH GROUP
U.S. HOUSE SUBCOMMITTEE ON TELECOMMUNICATIONS
"STATUS OF THE DTV TRANSITION - PART II"
OCTOBER 17, 2007

Chairman Markey, Ranking Member Upton, and members of the Committee: I am Amina Fazlullah, Media and Telecommunications Staff Attorney[i] for the United States Public Interest Research Group (U.S. PIRG). U.S. PIRG is the federation of state Public Interest Research Groups -- non-partisan, non-profit public interest advocacy organizations based in 30 states. On behalf of our members across the country I want to thank you for the opportunity to testify in today's hearing on the upcoming digital television transition.

It's been nearly two years since Congress established the official transition date from analog T.V. broadcasting to digital, yet virtually no U.S. consumer knows what will happen on February 17, 2009. On that date, television broadcasters will switch from analog to digital signals. The transition offers the country the return of valuable, "beach front property" spectrum that can be used to enhance emergency communications, spur innovation and improve broadband connectivity.

One other thing will happen on February 17, 2009. Every consumer who watches over-the-air TV with an analog set will have their set go dark. Including in the estimated 22 million consumers in this category are 8 million households with at least one member older than 50.

The government is of course at least aware of this problem. Congress has allocated funding for an education program. The relevant agencies have required that manufacturers stop producing new analog televisions and that retailer properly label the remaining analog televisions at the point of sale. Congress has also allocated funding to provide coupons to help consumers pay for the necessary converter boxes to get their analog television sets to work again.

Yet, based on preliminary U.S. PIRG research, which we will discuss today, neither government nor retailers are adequately preparing consumers for the impending DTV transition.

Unfortunately, the vast bulk of the governments' efforts have been focused in a lopsided manner on the future uses of the television broadcast spectrum and not on the very concrete and serious problems that arise from the DTV transition.

It is U.S. PIRG's view that neither the government nor retailers are doing enough to ensure adequate DTV education, to make sure converter boxes are made available at fair prices and that consumers are informed of the availability of coupons.

This lack of attention comes despite clear signals that the DTV transition poses a

nationwide problem on the level of the Y2K threat, however unlike the over-hyped Y2K threat, the DTV transition comes with guaranteed and identified problems for millions of our country's most vulnerable consumers, again, including a disproportionate number of older Americans.

Over the past year, key members of Congress, Commissioners of the Federal Communications Commission (FCC) and the staff of the U.S. Department of Commerce's National Telecommunications and Information Administration (NTIA) have all echoed the same concerns – that the transition is coming but we still do not have a comprehensive national education strategy to prepare consumers. Our country is now about 16 months away from the transition. While industry stakeholders (broadcasters, cable manufacturers and retailers) have made promises to provide point of sale notices, prepare retail staff and broadcast public service announcements – this is too large of a problem for our government to rely on mere promises.

We welcome the fact-finding aspect of congressional hearings and agency workshops but we need government to act swiftly and begin to enforce an extensive education campaign.

U.S. PIRG has identified three major hurdles that must be met to begin to address the DTV transition properly.

(1) **All consumers across the country must be notified of the transition.** There is precious little time left in 2007 and as the election year begins to kick into high gear it will be difficult to gain the attention of the public. It takes time and near constant repetition to get a message across on a national scale. Government must step in and ensure that PSAs are broadcast at peak hours both early and often. Government must also utilize existing government programs that reach out to at-risk households to provide paper notice of the transition and the coupon program.

(2) **Any retailer that will be carrying the converter boxes must provide DTV transition training to prepare staff.** The estimated 22 million consumers that will be left in the dark come February 2009 are less likely to have access to online materials and most will likely seek out face to face advice. Retailers will be on the frontlines of the transition. Government must ensure that retailers adequately train personnel and enforce penalties against companies that misinform and abuse consumers to reap greater profits from sale of unnecessary TVs to people who could get by with a low cost converter box. According the FCC converter costs will net out at $20 - 40 per TV after the estimated retail cost of $60 - 80 for a converter box is offset by the $40 value of a coupon[1] $20 - 40 dollars is certainly a lot less than $320[2], the estimated cost of a 32 inch digital TV.

(3) **Cable subscribers must be protected:** For the 40 million cable subscribers that

[1] http://www.ntia.doc.gov/dtvcoupon/consumer.html
[2] http://www.bestbuy.com, Dynex® - 32" 480i Standard-Definition Digital TV Model: DX-R32TV SKU: 8205694

have a total of 120 million analog sets[3] hooked up to cable services, government must ensure that cable companies do not use this opportunity to impose lifetime rate hikes or attempt to use the DTV transition as an excuse to force consumers into higher-cost cable packages.

Safety, Media, and Democracy at Risk

More Americans choose local television news as one of their top three sources for news than any other form of traditional or new media, according to The Future of News Survey conducted for the Radio and Television News Directors Foundation[4]. At risk in the transition is not just the ability of older Americans to access entertainment but news and emergency information. There will be a great consumer outcry if the millions of Americans who rely on free TV wake up after February 17, 2009 and find that their TVs have gone dark and simply don't work.

In the confusing weeks and months that after the transition it will become even harder to reach out to populations that already utilize only a few methods of communication.

Protecting Consumer Transition Dollars

A successful digital television transition will requires that government takes concrete steps to ensure that all stakeholders act in goodfaith on their promise to participate in the transition. Beyond plans to educate consumers we must think about how to deal with bad actors in this time of transition. With 890 million government dollars[5]set aside for the coupon/converter box program it is incumbent upon government to ensure that consumers are provided with accurate information as they decide to spend for the transition.

The 22 million viewers of over the air analog television will face an expensive choice to continue to receive a television signal: subscribe to cable or satellite, buy a digital television set, or purchase a digital-to-analog converter box through the NTIA coupon program or purchase a converter box at cost without assistance from the government through its coupon program. All of these options cost money. For families on a fixed income or operating on low incomes, even an inexpensive converter box can cost more than a week's food budget.

Industry Efforts And Preliminary U.S. PIRG Research Findings

Industry stakeholders have made substantial promises to inform the public. While U.S. PIRG agrees that this transition cannot be successful without the support of industry we believe that industry's participation must be mandated and closely monitored to ensure that consumers a fully protected throughout the transition.

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[3] September 11, 2007, Statement of Chairman Kevin Martin In the Matter of *Carriage of Digital Television Broadcast Signals: Amendment to Part 76 of the Commission's Rules*, CS Docket No. 98-120, Third Report and Order and Third Further Notice of Proposed Rulemaking

[4] 2006 The Future of News, the Radio and Television News Directors Foundation

[5]http://www.ntia.doc.gov/otiahome/dtv/DTVFactSheet_Contract_070815.html

As of August 2007 U.S. PIRG completed a preliminary study that surveyed the top five electronics retailers in the DC Metro area. Our initial findings based on interviews with clerks and supervisory personnel are alarming and show that despite industry promises to educate and prepare personnel all five retailers had personnel that provided inaccurate or even misleading information. The study is based on surveyors posing as consumers.

Our surveyors found that: when asked, retailers did not acknowledge the existence of converter boxes or the coupon program. In many cases the retail staff told surveyors that to continue to receive broadcast signal a consumer's only choice would be to buy a brand new television or even an upgraded HDTV set (a more expensive High-Definition TV HDTV is not necessary to receive Digital or DTV signals).

In a Virginia area Walmart our surveyors were told that their only option was to buy a brand new HDTV or sign up for cable service.

In a Virginia area Bestbuy our surveyors were told that upcoming transition meant that signals would now all be "HDTV signals" and consumers would have to buy a brand new HDTV to continue getting over the air television.

In a Virginia area Bestbuy our surveyors were told that to continue receiving television signals after the transition they would have to purchase a useless HDTV tuner (costing $170).

In a Virginia area Target our surveyors were told of the converter boxes but were told there was no discounts, that there was no government program and that a brand new digital television set would actually be cheaper than the converter box in initial cost.

In almost every store surveyed we found a number of analog television sets on the shelves, sometimes labeled on the box or on the shelf but in all stores it could be easy for a consumer to miss the warning labels. Throughout the fall and this year's holiday shopping season it is crucial that bargain-hunting shoppers aren't duped into purchasing a slightly discounted analog television set when they'll have to purchase a converter just months later.

Our surveys were designed to account for a lack of boxes on the shelves and the unknown manager of the coupon program. Bestbuy was the only store provided print information (in both Spanish and English), unfortunately their store representatives had clearly not read the brochure and was unable to repeat or event reference the brochure. While all stores knew of the transition and the February 2009 deadline all top five retailers had personnel that switched standard definition digital televisions with high definition televisions. At no point in time did any of the personnel from any of the stores tell us that they weren't familiar with the details of the switch or directed us to any help-lines, managers, materials or websites.

Despite FCC efforts to root out stores in violation of labeling requirements our PIRG

researchers found a number of stores still in violation of the requirement. Upon the conclusion of our nationwide report we will file a detailed complaint listing every store that our limited PIRG researchers found in violation of existing labeling laws.

These preliminary results demonstrate the need for strong government oversight into industry efforts in the DTV transition.

Funding the transition

U.S. PIRG is also skeptical about the success of these efforts without additional resources. In prior House and Senate Commerce testimony on the DTV transition members of Congress highlighted the fact that the city of Berlin Germany set aside the more money to transition their city than the United State's has for the entire country. In the United Kingdom the government has phased in the transition over multiple years (2008-2012[6]) and through their substantial preparation efforts are estimated to complete their transition ahead of schedule.

If Congress wants the digital television transition and coupon program to succeed, it must adequately invest time and resources in an educational program that truly leaves no community behind. We strongly urge Congress to supplement the amount of funding for consumer education efforts.

Employing Government Muscle

While both NTIA and the Federal Communications Commission are committed to educating consumers about the transition and the coupon program, a public education effort of this magnitude should not be limited to only a few agencies.

- Ensuring a successful transition will require public education at the national, state, and local levels.
- At a minimum, every federal agency should be required to participate in educational outreach, and if possible, serve as a site where coupons can be distributed.
- Utilizing current federal programs to contact at risk populations is one effective way of reusing programs in place to access a variety of communities.
- These efforts should also be replicated at the state and local level franchise authorities. If a small increase in franchise revenues to the local authorities could cover the costs of a one-year program to notify all consumers in a local franchise area.

Conclusion

We have only a few months to ensure that the benefits of the transition don't come at a cost to our most vulnerable consumers. Yes, the return of spectrum holds exciting new

[6] http://www.digitaluk.co.uk/en/when.html

opportunities for nationwide broadband or new wireless services. Yes, the quality of picture quality will improve with the transition to digital signals. However, before we jump ahead to the boons of the transition we've got to put the time, effort and resources into preparing consumers for the day their TV will go dark. If we don't find a way to communicate to our most vulnerable consumer how and when to transition we run the risk as a country of shutting off democratic debate and crucial emergency services to low income, rural, minority and older Americans.

Thank you for both the opportunity to speak today and for your leadership as we move forward in addressing the digital television transition. I look forward to answering any questions you may have.

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[i] Bar Pending, Sat for New York Bar July 2007, http://www.uspirg.org/about-us/staff/staff/fazlullah#ho1OqT0G-9sldigDnjyqkw

Mr. MARKEY. Thank you. We very much appreciate it.

Mr. MARKEY. Our next witness is Michael Benjamin. He is the executive director of Family, Career and Community Leaders of America. That is a national nonprofit student organization that will participate in a grassroots campaign to educate consumers about the DTV transition.

Welcome, sir. Whenever you are ready, please begin.

STATEMENT OF MICHAEL BENJAMIN, EXECUTIVE DIRECTOR, FAMILY, CAREER, AND COMMUNITY LEADERS OF AMERICA

Mr. BENJAMIN. Thank you very much, Chairman Markey, Ranking Member Upton and members of the committee. We thank you for the opportunity to provide you with the information about the role that Family, Career and Community Leaders of America will play in this transition event that will take place on February 17, 2009.

As the executive director of Family, Career and Community Leaders of America—and I will refer to ourselves as "FCCLA" for it is just too long of a name—I am pleased to be representing an exemplary youth organization that will be involved in assisting citizens throughout the United States to become more aware of the analog to digital television coupon program.

As you mentioned, FCCLA is a national nonprofit student organization that helps young men and women become strong leaders in families, careers and communities through family and consumer sciences education programs. FCCLA has been in existence since 1945, and for most of you, it looks as though you are older than 25. So up until 1999, it was known as the Future Homemakers of America, FHA. So in 1999, we changed our name to reflect the changes that obviously were taking place in society.

FCCLA members are students in middle schools and high schools who are organized by local chapters in school settings. FCCLA membership is open to students of all races and religious beliefs and can be found in public, private and homeschool settings. Family and consumer science teachers serve as FCCLA chapter advisors. Throughout the United States, we have more than 225,000 students and nearly 7,000 local chapters in all 50 States, Puerto Rico and the Virgin Islands. FCCLA is one of the largest career and technical student organizations as endorsed by the U.S. Department of Education, the Office of Vocational and Adult Education.

For over 60 years, FCCLA members have been achieving positive student outcomes and successes through national programs based on identified community needs. One example of a FCCLA program that has addressed a youth-related concern is what we call STOP the Violence. It is students taking on prevention. STOP the Violence was created in 1999 following the Paducah, KY school shooting after the local chapter president was injured. The STOP the Violence program empowers youth with attitudes, skills and resources to recognize, report, and reduce youth violence. The program was funded by the U.S. Department of Justice and the Office of Juvenile Justice and Delinquency Prevention until 2006. During that period of time from 1999 through 2006, FCCLA trained 38,000 individuals in almost 6,000 chapters with this program.

So why is FCCLA involved in this program? We have labeled our campaign "Keep Your TV On." For this initiative, FCCLA has partnered with the Best Buy Company, Inc. and Geek Squad and has involved NTIA and other partners, including media outlets, to increase awareness of FCCLA and the digital television converter box coupon program.

NTIA provided the opportunity for FCCLA to connect with partners involved in the transition. Project ideas were being made available to FCCLA advisors to integrate this campaign into their classrooms. Best Buy Company, Incorporated, and Geek Squad have provided FCCLA with $50,000 to be used as incentive awards and publicity for the campaign. FCCLA youth leaders will take the lead on this consumer education, grassroots effort that will benefit communities nationwide, utilizing the Best Buy "blue shirts" and Geek Squad agents where available.

We will begin promoting this full-time campaign at our 2007 national/regional meetings at which over 9,000 students and their advisors will come together in four cities throughout the United States: Atlanta, GA and Buffalo, NY on November 9 through the 11th; Denver, CO and Minneapolis, MN on November 16 through the 18th.

Following the campaign kickoff in January 2008, Keep Your TV On Awards will be given out each month between January and May, and each month up to 10 chapters will receive $500 gift cards from Best Buy. In June, all national winners will be enrolled in a grand prize contest of $3,000. The contest and campaign will be highlighted in our various publications, such as Teen Times, and through our various networks to our teacher advisors.

Mr. Chairman, FCCLA is involving youth across the country in community engagement by doing its part to help raise awareness of the analog-to-digital transition and the converter box coupon program. We appreciate the opportunity to appear before your committee and to provide you with this update on how FCCLA will be involved in this effort.

Thank you.

[The prepared statement of Mr. Benjamin follows:]

Testimony of Michael L. Benjamin
Executive Director
Family, Career and Community Leaders of America, Inc.

Before the
House Committee on Energy and Commerce
Subcommittee on Telecommunications and the Internet

Hearing on the "Status of the DTV Transition – Part 2"
October 17, 2007

Chairman Markey, Ranking Member Upton, and Members of the Committee, thank you for the opportunity to provide you with information about the role that Family, Career and Community Leaders of America (FCCLA) will play in the analog to digital television transition event that will take place on February 17, 2009. In many respects I have come full circle with the Telecomnmunication Act of 1996 and with your Subcommittee Mr. Chairman. As Executive Director of the Institute for Mental Health Initiatives (IMHI) from 1994-1999, I was responsible for IMHI's collaboration with the National PTA and the University of Wisconsin-Madison in conducting a 1996 national survey of parents concerning their informational needs regarding a TV Ratings System. The survey findings were utilized by the TV Industry Workgroup in developing its TV Parental Guidelines that are still utilized today. As the Executive Director of Family, Career and Community Leaders of America (FCCLA), I am pleased to be representing an exemplary youth organization that will be involved in assisting citizens throughout the United States in making the transition from analog to digital television.

FCCLA Overview

FCCLA is a national nonprofit student organization that helps young men and women become strong leaders in families, careers, and communities through Family and Consumer Sciences Education (FACS). Its mission is to promote personal growth and leadership development through FACS. Focusing on the multiple roles of family member, wage earner, and community leader, members develop skills for life through character development, creative and critical thinking, interpersonal communication, practical knowledge, and career preparation.

FCCLA members are students in middle schools and high schools who are taking or have taken a FACS course. These young people are organized by local chapters in school settings. Members develop and lead projects that address important personal, family, career, and societal issues. FACS teachers serve as FCCLA chapter advisers. FCCLA membership is open to students of all races and religious beliefs and can be found in public, private, and home school settings. Based on the 2005-2006 annual membership report, the four membership regions have the following membership percentages:

- 54% Southern
- 32% Central
- 8% Pacific
- 6% North Atlantic

FCCLA involves more than 225,000 students in nearly 7,000 local chapters in all 50 states and Puerto Rico and the Virgin Islands. FCCLA is one of the nation's largest

Career and Technical Student Organizations and is endorsed by the U.S. Department of Education, Office of Vocational and Adult Education.

The organization started in Chicago in 1945 when students enrolled in home economics classes and their advisers officially formed Future Homemakers of America (FHA). FHA changed its name to FCCLA in July 1999.

FCCLA National Programs

For over 60 years FCCLA members have been achieving positive student outcomes and success through national programs based on identified community needs. At the heart of FCCLA is student involvement in programs, projects, activities, and events they plan, carry out, and evaluate themselves. Through FCCLA projects—simple or complex, short-term or long-term—members sort out thoughts, analyze situations, set goals, interact with others, apply classroom knowledge, and become leaders in families, careers, and communities. Throughout FCCLA activities chapter members involve community leaders and various collaborative groups. FCCLA programs are frameworks that encompass lessons, learning activities, projects, resources, and recognition for carrying out projects related to a specific topic. Projects may be part of a larger program or may be custom-designed to meet members' needs, interests, and concerns. One example of an FCCLA program that has addressed a youth related concern is STOP the Violence – Students Taking On Prevention. STOP the Violence was created in 1999 following the Paducah, Kentucky school shooting, after the local chapter president was injured. The STOP the Violence program empowers youth with attitudes, skills, and

resources to recognize, report, and reduce youth violence. The program was funded by the U.S. Department of Justice, Office of Justice Programs, and the Office of Juvenile Justice and Delinquency Prevention until 2006. From 1999 through 2006, FCCLA has trained 38,651 individuals in 5,921 chapters in this program.

"Keep Your TV On" Campaign

In the new initiative, FCCLA has partnered with the Best Buy Co. Inc. and Geek Squad, and has involved the National Telecommunications and Information Administration (NTIA) of the Department of Commerce, and other partners, including media outlets, to increase awareness of FCCLA and the Digital Television (DTV) Converter Box Coupon Program. NTIA provided the opportunity for FCCLA to connect with partners involved in the transition. FCCLA's "Keep Your TV On" campaign was developed to provide chapter advisers (teachers) with the tools necessary to conduct community service projects across the country and in the FACS classroom. Project ideas will be made available to FCCLA advisers to integrate this program into the classroom and by utilizing community organizations. Best Buy Co., Inc. and Geek Squad has provided FCCLA with $50,000 to be used as incentive awards and publicity for the campaign. Chapters will promote the national transition to digital television and the Commerce Department Converter Box Coupon Program. FCCLA youth leaders will take the lead on this consumer education grassroots effort that will benefit communities nationwide utilizing the Best Buy "blue shirts" and Geek Squad agents where available.

FCCLA will begin promoting the campaign at the 2007 National Cluster Meetings. Each fall, nearly 9,000 students and advisers from FCCLA chapters from all over the country convene at four regional meetings to share ideas, learn about exciting programs offered by FCCLA and develop leadership skills. Best Buy will be presenting a youth workshop at each meeting in the following four locations: Atlanta, Ga., and Buffalo, N.Y. (November 9-11) Denver, Co., and Minneapolis, Minn., (Nov. 16-18).

Following the campaign kick off in January 2008, "Keep Your TV On" awards will be given out each month between January and May. Each month up to 10 chapters will receive $500 gift cards from Best Buy. In June all national winners will be enrolled in a grand prize contest of $3,000. The contest and campaign will be highlighted in FCCLA publications, such as, *Teen Times,* the national bimonthly magazine that is distributed to all 225,000 members and *The Adviser*, the national biannual newsletter for teachers that includes up-to-date chapter management information and at regional meetings.

Summary

FCCLA is involving youth across the country in community engagement by doing its part to help raise awareness of the analog to digital transition and the Converter Box Coupon Program. We appreciate the opportunity to appear before this Subcommittee and provide this update on "Status of the DTV Transition – Part 2." Please let us know how we can connect you with our members in your district. Thank you.

Mr. MARKEY. Thank you, Mr. Benjamin, very much.

Our next witness, Nancy Zirkin, is the vice president and director of public policy for the Leadership Conference on Civil Rights. LCCR is one of the Nation's oldest coalitions of civil rights organizations, and it is a founding member of the DTV Transition Coalition.

We welcome you. Whenever you are ready, please begin.

STATEMENT OF NANCY M. ZIRKIN, VICE PRESIDENT/DIRECTOR OF PUBLIC POLICY, LEADERSHIP CONFERENCE ON CIVIL RIGHTS

Ms. ZIRKIN. Thank you very much, Mr. Chairman, and thank you for inviting me to actually testify today.

As the chairman said, I am Nancy Zirkin, vice president and director of public policy for the Leadership Conference on Civil Rights. LCCR is the Nation's oldest and most diverse coalition of approximately 200 national, civil and human rights organizations.

Imagine for a moment that it is February 17, 2009. You are an ordinary citizen—a mother or a grandpa from Kalamazoo—and you turn on your TV to see the weather, and it is blank. You did not get the message that our Government has mandated that all signals had to be digital.

The great switch from analog will have a profound impact on millions of Americans, especially seniors, the poor, the minority community, people with disabilities, and those whose first language is not English. But the reality today is that everybody needs a TV, not just for entertainment but for the news—what is happening locally, nationally and worldwide. Imagine 9/11 without TV coverage, and you understand how important having a working television is to the 21 million American households who now rely solely on free analog TV.

LCCR believes that access to all communications in the 21st century is not a luxury but a fundamental right of every American. And the challenges involved in preparing Americans for the digital TV transition are of such magnitude that a strong congressional response is required, for in the end, voters will look to Congress if their TVs go dark.

LCCR applauds Congress for recognizing the need for Government support to help consumers know about the coupon program, but we are as troubled as Mr. Doyle is. The $5 million allotted by Congress to educate consumers about the coupon program is a tiny amount to support the kind of public education effort that is required. Since the goal of the DTV public education campaign is to research everyone in each State, it is not unlike State Senate campaigns; and to put it in perspective, California, Ohio and Pennsylvania have a combined population of about 21 million households, and the combined cost of last year's Senate campaigns in these States was $22 million. Five million dollars to educate all 50 States? I don't think so.

Our fear is that people who will be most affected by the change will not hear about it and will not have access to any of the coupons. We are also concerned that our most vulnerable populations will be the least likely to receive the first-come, first-served limited number of coupons for the converter boxes, leaving them with only

unaffordable options. Congress can help make sure that that does not happen by actually determining that the coupons go to those who need them most. We urge you to consider the following unmet needs as you assess the status of the DTV transition.

First, there needs to be sufficient funding appropriated to ensure a smooth transition, including funding private charitable groups that work directly with the populations most at risk.

Second, there needs to be a comprehensive plan in place to attract how the education effort is progressing. It should include research, outreach and rapid response to ensure that those who are most at risk of losing service know about the transition and how to obtain getting a coupon.

Finally, there needs to be coordination among all Federal agencies on educational outreach, with the replication of these efforts at the State and local levels.

Finally, let me say that LCCR, through our member organizations representing over 60 million Americans, will do our part to educate consumers. But we and the DTV Coalition cannot do it without additional help and oversight from the Congress and from NTIA.

Thank you, Mr. Chairman.

[The prepared statement of Ms. Zirkin follows:]

STATEMENT OF
NANCY ZIRKIN, VICE PRESIDENT & DIRECTOR OF PUBLIC POLICY,
LEADERSHIP CONFERENCE ON CIVIL RIGHTS

U.S. HOUSE COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON TELECOMMUNICATIONS AND THE INTERNET
"STATUS OF THE DIGITAL TELEVISION TRANSITION-PART 2"

OCTOBER 17, 2007

Chairman Markey, Ranking Member Upton, and members of the Committee: I am Nancy Zirkin, vice president and director of public policy of the Leadership Conference on Civil Rights (LCCR). Thank you for the opportunity to testify in today's hearing on the status of the digital television transition.

LCCR is the nation's oldest and most diverse coalition of civil rights organizations. Founded in 1950 by Arnold Aronson, A. Philip Randolph, and Roy Wilkins, the Leadership Conference seeks to further the goal of equality under law through legislative advocacy and public education. LCCR consists of approximately 200 national organizations representing persons of color, women, children, organized labor, persons with disabilities, the elderly, gays and lesbians, and major religious groups. Additionally, LCCR is a founding member of the DTV Transition Coalition, a large coalition that includes as members the Federal Communications Commission, the U.S. Department of Commerce, industry groups, grassroots and membership organizations, manufacturers, retailers, trade associations, civil rights organizations, and community groups. I am privileged to represent the civil and human rights community in submitting testimony for the record to the Committee.

With the arrival date for the future of television drawing near, we urge you to consider the following unmet needs as you assess the status of the digital television

transition. First, there needs to be sufficient funding appropriated to ensure a smooth transition, especially for the lower-income households, seniors, minorities, and persons with disabilities who are most dependent on television. Second, there needs to be a comprehensive plan in place that includes research, outreach, and rapid response to ensure that those who are most at risk of losing service are protected. Finally, given the magnitude of the public education effort necessary to inform those Americans most at risk of losing their television signal, there needs to be coordination among all federal agencies on educational outreach, with replication of these efforts at the state and local level.

As context, I would like to discuss what the government-mandated transition to digital television means for the communities LCCR represents, and what needs to be done to ensure than no community is left in the dark. Will *all* Americans be sufficiently educated about the transition, so that they will be able to make it relatively easily and without undue economic burden? Moreover, will *all* Americans actually receive the benefits of digital television, including High Definition Television and multicasting, or will they be deprived of these remarkable technological advances?

While the federal agencies most responsible for managing this transition—the National Telecommunications and Information Administration (NTIA) and the Federal Communications Commission—and a wide range of private stakeholders in the broadcasting, cable, retail, and manufacturing industries are already working hard to address the impact of the transition, LCCR believes that the challenges involved in preparing Americans for the digital television transition are of such magnitude that a strong Congressional response is required.

What's at Stake

Making the transition to digital is not simply a matter of being able to watch wrestling, or *American Idol,* or reruns of *Friends.* At stake in the transition to digital television is the ability of the nation's most vulnerable populations to maintain uninterrupted access to their key source of news and information and emergency warnings: free, over-the-air television. It would be a great tragedy if the millions of Americans who rely on free TV wake up after February 17, 2009 and find that their TVs simply don't work.

A successful digital television transition will require well-informed consumers who can access what, for many, will be brand new technology. This cannot occur without a comprehensive, coordinated national consumer education effort focusing on not only the transition itself, but also on the coupon program to be administered through NTIA.

The need for such an effort is particularly important for the communities that LCCR member organizations represent. In 2005, the GAO found that up to 19 percent, or roughly 21 million American households, rely exclusively on over-the-air, free television. According to the GAO, 48 percent of households that rely solely on over-the-air television have incomes under $30,000.

These consumers will face an expensive choice to continue to receive a television signal: subscribe to cable or satellite, buy a digital television set, or purchase a digital-to-analog converter box without assistance from the government through its coupon program. All of these options cost money. Even an inexpensive converter box can cost more than a week's food budget for many low-income families and for many elderly persons living alone and on Social Security.

We are especially concerned because minority and aging households are disproportionately affected by the transition.

- According to the GAO, non-white and Hispanic households are more likely to rely on over-the-air television than are white and non-Hispanic households.
- Of the 21 million over-the-air households, one-third (or seven million people) are Spanish-language speakers, according to the testimony of Alex Nogales, President and CEO of the National Hispanic Media Coalition, before the House Subcommittee on Telecommunications and the Internet in March 2007.
- Eight million of the 21 million over-the-air households include at least one person over 50 years of age, according to the March 2005 testimony of Lavada DeSalles on behalf of AARP, before the House Subcommittee on Telecommunications and the Internet.
- One-third or more of over-the-air television viewers have disabilities, according to the American Association of People with Disabilities.
- African Americans make up 23 percent of over-the-air households, according to the National Association of Broadcasters.

LCCR believes that access to communications is a fundamental right of every American. Given the impact the transition will have on all our most vulnerable communities, LCCR applauds Congress for recognizing the need for a government compensation program to be administered by NTIA to assist with the transition. But the process that has been created raises a number of troubling concerns.

Funding

First and foremost, we are deeply concerned that the $5 million that Congress has allocated to NTIA to educate consumers about the coupon program will be woefully inadequate to support the kind of public education effort that the transition requires. Public education campaigns are not unlike state election campaigns in terms of scope. Therefore, consider California, Pennsylvania, and Ohio, whose combined population is approximately 21 million households—comparable to the number of households that will likely need to be educated on the digital television transition. The cost of a campaign in Ohio District 15 in 2006 was nearly $7.5 million; in Pennsylvania District 6, $7.6 million; for California District 11, $7 million—a total of $22 million for just three districts in those states. Consider also Berlin, Germany, which in 2004 spent approximately $1 million to notify its 3.4 residents of that city's digital television transition.

The lack of sufficient resources within the digital television transition consumer education effort for support of nonprofit, social justice, or community-based organizations further limits the scope of public education efforts that will be possible. The effort to ensure that all Americans have access to over-the-air digital television should not be left to government and industry alone; the private charitable organizations that work directly with the populations most at-risk need to be engaged, but they need support.

More specifically, what is needed are efforts that fund and engage grassroots groups to conduct the training workshops; develop and disseminate the informational materials that are linguistically appropriate and in alternate forms (Braille, audiotapes,

ASCII disk, large font, closed captioned); and provide the technical assistance that will help the low-income households, minorities, limited English-speaking families, seniors, and persons with disabilities who are most dependent on television make the transition.

LCCR is committed to working with our community-based member organizations, including groups that serve populations who speak languages other than English, and those that assist working families such as unions and religious organizations, to make sure their members know about the transition and the coupon program. But we are skeptical about the success of these efforts without additional resources. We believe that the costs of the digital transition to the 21 million over-the-air households should be paid for by the ample proceeds generated by the auctions of reclaimed spectrum.

If Congress wants the digital television transition and coupon program to succeed, it must adequately invest in an educational program that involves all relevant sectors and that truly leaves no community behind. We strongly urge Congress to supplement the amount of funding for consumer education efforts. In the end, voters will look to Congress if their televisions go dark.

Research, Oversight, and Rapid Response

In addition to our concerns that those populations most in need will be least likely to know about the coupon program, LCCR is concerned that low-income and minority communities, seniors, and people with disabilities will be least likely to receive the first-come, first-served limited number of coupons.

NTIA's Digital-to-Analog Converter Box Coupon Program currently contemplates what is essentially a two-phase process. Under the first phase, while the initial $990 million allocated for the program is available, all U.S. households—including

cable and satellite customers—will be eligible to request up to two $40 coupons to purchase up to two, digital-to-analog converter boxes. Under the second phase, if NTIA requests the additional $510 million already authorized by Congress, then households that certify in writing they rely on over-the-air reception will be eligible for coupons.

LCCR urges Congress to ensure that the transition to digital television serves to benefit all Americans. In order to do so, there must be a way for Congress to determine that coupons are going to those who most need them.

- It is clear that we will need sufficient independent research to make sure that messages about the coupon program are effective for these populations. We will need to know who is taking advantage of the coupon program during the first phase of the process, so that NTIA knows how to respond or whether and where to deploy additional funds.
- The government can play an important role in conducting this research through the General Accounting Office, with Congress tracking the progress.

In addition to an aggressive ongoing monitoring effort, there must be plans in place to respond rapidly to those most vulnerable populations who end up losing service, so that they get the education and assistance they need. If low-income households, seniors, minorities, or persons with disabilities are cut off because funds run out, Congress must allocate additional funds to ensure that all Americans can make the transition to digital TV.

Additional Governmental Outreach

While both NTIA and the FCC are committed to educating consumers about the transition and the coupon program, a public education effort of this magnitude should not be limited to only a few agencies.

- Ensuring a successful transition will require public education at the national, state, and local level.
- At a minimum, every federal agency should be required to participate in educational outreach, and if possible, serve as a site where coupons can be distributed.
- These efforts should also be replicated at the state and local level.

Conclusion

I want to acknowledge that despite the great challenges in making sure that all Americans know about the digital television transition and the coupon program, the transition presents great opportunities. Industry, broadcasters, manufacturers, interest groups, and federal officials agree that digital TV offers viewers better quality transmission and a wider range of programming options. Because the digital signal has the ability to provide so much more information, it has the ability to provide more services to those who speak languages other than English and people with disabilities (such as enhanced closed captioning and video description services). We do not know if the broadcasters are going to provide such services, but we do know that there is the potential to do so. Thus, the transition has the potential to open the door for more

Americans to participate fully in the digital age. This will only be true, however, if all families will be able to access digital television programming.

Thank you for both the opportunity to speak today and for your leadership as we move forward in addressing the digital television transition. I look forward to answering any questions you may have.

Mr. MARKEY. Thank you, Ms. Zirkin.

Our final witness is Tom Romeo, who is the director of Federal Services for Global Business Services, IBM Corporation. Mr. Romeo directs IBM's contract from the Federal Government to manage the Digital-to-Analog Converter Box program.

We welcome you, sir. Whenever you are ready, please begin.

STATEMENT OF TOM ROMEO, DIRECTOR, FEDERAL SERVICES FOR GLOBAL BUSINESS SERVICE, IBM CORPORATION

Mr. ROMEO. Thank you, Chairman Markey and members of the subcommittee, for the opportunity to testify before you today. My name is Tom Romeo, and I am the director of Federal Servicess for IBM's Global Services Business for the public sector. I am here today to talk about IBM's role in implementing the NTIA Digital-to-Analog Converter Box Coupon Program.

As you know, NTIA awarded IBM the contract to provide services for the coupon program on August 15, 2007. IBM and its business partners—Ketchum Public Affairs, Epiq Systems, and Corporate Lodging Consultants—will provide services in four areas: consumer education about the converter box coupon program; coupon distribution and redemption; support for retail store participation; and financial processing to reimburse retailers to maintain records and to prevent waste, fraud and abuse. Let me explain our goals for the program.

IBM designed the coupon program to be consumer-focused, easy to use, and to provide maximum choice and access for both consumers and retailers. Our goal is to successfully communicate the details of the converter box program to targeted consumers, to distribute coupons and to complete the redemption process with minimal waste, fraud and abuse.

The IBM team brings a diverse set of business process skills to the project. IBM will act as the system integrator and will provide overall project oversight. The team includes three primary partners, with extremely relevant experience supporting key elements of the program.

Ketchum is a global public relations agency IBM has worked with for more than 10 years. They will provide consumer education and outreach. Epiq Systems has deep experience in executing consumer programs with geographically dispersed, hard-to-reach populations. They will staff the critical consumer-facing help desk and manage coupon distribution to consumers. Corporate Lodging Consultants, CLC, will work with retailers through the certification process and financial processing to reimburse retailers.

Now, let me briefly describe the four areas of service. For the consumer education program, we have four primary work streams. First, we are developing messages and materials that educate consumers about the coupon program. Secondly, we are building on the outreach that NTIA has already done to over 150 public and private sector partners. Third, we have created a strategy to leverage earned media across TV, radio, print, and online outlets. Fourth, we are establishing metrics to determine the saturation of the message. This will allow us to adjust both messaging and target audiences over the course of the coupon program.

Consumer support begins with the coupon application. The application and distribution process is simple, consumer-focused, and provides multiple channels for access. Consumers can apply for coupons via the phone, Web, or by picking up a paper application available in their community, and mailing or faxing it in to the Consumer Support Center. Web and phone support will be available 24 by 7, in six languages in addition to English, and will include support for those in need of hearing-impaired access. Consumers can expect to receive their coupons within 2 to 3 weeks after the order. The coupon is plastic and resembles a gift card, something familiar to consumers, and is easy to use. Information about where to purchase a coupon-eligible converter box in their local area is included with the mailing.

Our retailer program has a two-pronged approach to recruit both national retailers and smaller local retailers to participate in the program. The Retailer Support Center opened on October 1 with live operators. The system provides multiple channels for both large and small retailers to certify their eligibility and enroll. All participating retailers will receive training about the coupon program. Making sure the sales associates are knowledgeable about the program will help achieve the best possible consumer experience.

The coupon redemption process is also designed to maximize retailer participation and to minimize waste, fraud and abuse. Six different redemption options are offered to retailers. All are based on real-time coupon authorization at the point of sale. For smaller retailers, Internet and automated telephone options are also available and will operate in realtime, making a telephone the minimum technology required to participate in the program.

In a typical chain-store experience, the consumer will present the coupon card, which is then swiped at the cash register just like a credit card or a gift card transaction. The system authorizes the transaction. The consumer pays any cost above the $40 value of the coupon, and leaves the store with a converter box. Authorization data is then matched up with sales data and audited before the information is transferred to the U.S. Treasury for retailer reimbursement.

In conclusion, the NTIA coupon program requires innovative thinking, leading technologies and cooperation among retailers, broadcasters, Government agencies, and many community-based organizations.

The IBM team is pleased to be part of this vital program and recognizes there are many challenges along the way to February 17, 2009. Our team is ready to meet those challenges and to work to ensure that consumers across the United States have continued access to free television broadcasting, including educational, entertainment, emergency, and homeland security information.

Thank you for the opportunity to testify, and I am happy to answer any questions.

[The prepared statement of Mr. Romeo follows:]

Testimony of Tom Romeo
Director of Federal Services
IBM Global Business Services, Public Sector

Before the Subcommittee on Telecommunications and the Internet
U.S. House Energy & Commerce Committee

Hearing on Status of the DTV Transition – Part 2

October 17, 2007

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to testify before you today on the status of the DTV Transition. My name is Tom Romeo and I am Director of Federal Services for IBM's Global Business Services, Public Sector. IBM and my team are proud to be involved with many high profile projects with the United States Department of Commerce, including the recent award of the Census Bureau Data Access and Dissemination System and, of course, the contract that we have with the National Telecommunications and Information Administration (NTIA).
I am here today to talk about IBM's role in implementing the NTIA Digital-to-Analog Converter Box Coupon Program.

As you know, NTIA awarded IBM the contract to provide services for the Digital-to-Analog Converter Box Coupon Program on August, 15, 2007.

IBM and its business partners, Ketchum Public Affairs, Epiq Systems and Corporate Lodging Consultants will provide services in four areas:

- Consumer education
- Coupon distribution to consumers and redemption
- Support for retail store participation
- Financial processing to reimburse retailers, to maintain records, and to prevent waste, fraud, and abuse.

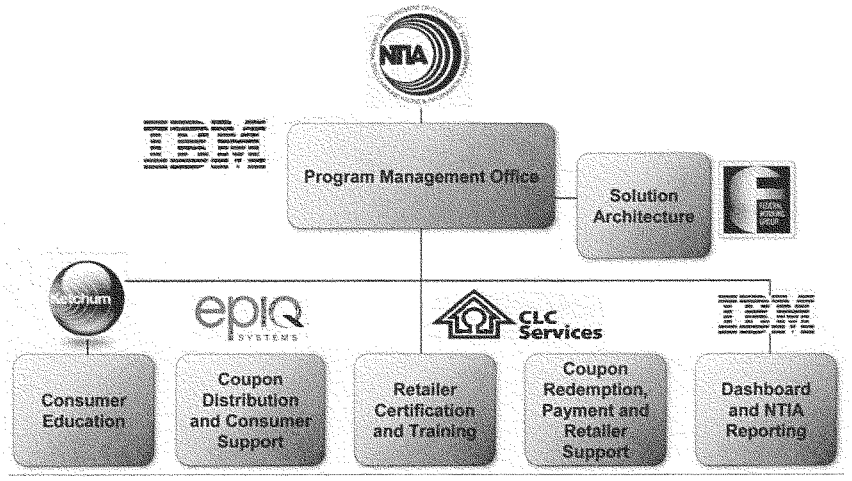
The Coupon Program, authorized by the Digital Television Transition and Public Safety Act of 2005, provides for distribution and redemption of coupons that consumers may apply toward the purchase of digital-to-analog converter boxes. Households using analog televisions will not be able to receive digital broadcasts after February 17, 2009, unless the analog television is connected to a converter box that switches the digital signal to an analog format, or the analog television is connected to cable or satellite service.

Between January 1, 2008 and March 31, 2009, all U.S. households may request up to two coupons, worth $40 each to be used toward the purchase of up to two digital-to-analog converter boxes until the initial $990 million allocated for the program has been exhausted. After this initial phase of the program, NTIA may request an additional $510 million already authorized by Congress. During this "contingent period", coupons will be available exclusively to households that rely on over-the-air broadcasting as their sole source of television programming.

Program Goals

With these parameters, IBM designed the NTIA Digital-to-Analog Converter Box Coupon Program to be consumer-focused, easy to use, and provide maximum choice and access for both consumers and retailers. Ensuring high retailer participation and satisfaction are driving factors in the design of the retailer component of the program. Our goal is to successfully communicate the details of the converter box program to targeted consumers, distribute coupons, and complete the redemption process with minimal waste, fraud and abuse.

Team Organization



As the systems integrator for the coupon program, IBM leads a team of experienced partners. IBM is providing the system integration and architecture to coordinate all the

technical components of the program, and integrate data from the team. This information will be available to NTIA via a web based "Dashboard" created by IBM. This data management tool will provide a wide array of information such as number of coupons requested, coupons redeemed, retailer participation and tracking of available funds. It will allow NTIA to evaluate the progress of the program in real time and make adjustments as needed.

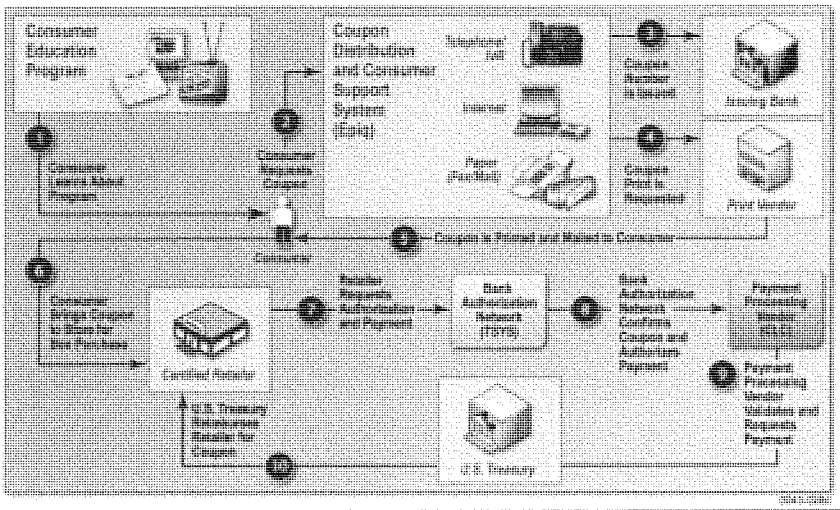
The members of the IBM Team bring together the diverse set of business process skills required for successful implementation of the coupon program. Ketchum, Inc. http://www.ketchum.com/ a global public relations firm IBM has worked with for more than 10 years, is leading the critical consumer education and outreach component of the coupon program. Ketchum's deep experience in communications includes a wide range of target audiences, including working with communities of color as well as low-literate, disabled, and elderly populations.

Epiq Systems http://www.epiqsystems.com/home.php (formerly Poorman-Douglas Corp.), a company with deep experience in executing consumer programs with geographically dispersed, hard-to-reach populations, will staff the critical consumer-facing help desk and manage coupon distribution to consumers.

Corporate Lodging Consultants, Inc. (CLC) http://www.corplodging.com/ will perform retail interactions (including retailer certification) and financial processing to reimburse retailers. In addition, CLC will take a lead role in implementing effective measures to

prevent waste, fraud, and abuse. CLC provides proven fulfillment, electronic auditing, billing and reporting solutions and has been very successful in translating its commercial expertise to the federal government environment.

NTIA Coupon Program End-to-end Solution



Consumer Education

Consumer education is the launching point for the Coupon Program. It is challenging, but we realize that we must do it effectively and smartly. The target populations for the Coupon Program are those households which receive TV broadcast signals solely from over-the-air transmission. They are the most vulnerable to losing TV transmission after February 17, 2009, and they also tend to be the most difficult households to reach. Over-the-air households in general tend to be less affluent, with lower English literacy, and

more racial diversity than those that already have digital TV, satellite or cable.[1] Working with NTIA, we have identified five target populations for consumer education on the Coupon Program: 1) seniors and older Americans; 2) the economically disadvantaged; 3) rural residents; 4) people with disabilities; and 5) minorities.

The consumer education campaign requires that we move our target audience from awareness of the coupon program to understanding its attributes and then finally into action. Orchestrating this progression requires coordination of multiple sets of evolving messages delivered by a wide variety of messengers through a series of channels. General broadcast media are the first and most indispensable channel in reaching our target audience. We will work with individual reporters, station managers, community relations managers, influential opinion leaders, interested stakeholder groups, advertisers, and network executives to saturate our target audience through the general broadcast media.

The consumer education aspect of the Coupon Program is designed to work in partnership with the many stakeholders in the DTV Transition. We will incorporate consumer education messages into the broader digital transition campaigns already underway through an array of media outlets and partners. By leveraging stakeholder partnerships and the many communication channels conveying DTV transition messages, we will increase our ability to reach each target audience with precision.

[1] GAO has reported that non-white households are more likely than white households to be over-the-air households; in addition, 48 percent of households with only analog TVs had incomes of less than $30,000 compared with 29 percent of households with cable or satellite service.

The consumer education campaign will also issue a series of press releases and public service announcements in a coordinated way, rather than relying solely on paid advertising. This type of information release has been shown to have a greater level of credibility and acceptance with the community at large, and allows for a consistency of message.

In addition to working with print, broadcast and online media, we will continue to build and leverage a network of committed partners who already have access to many of the population segments that we are targeting. The influential organizations that serve as "trusted advisors" to these populations will provide an effective source of Coupon Program awareness and information, supplementing and reinforcing the messages in the broad-based media campaigns.

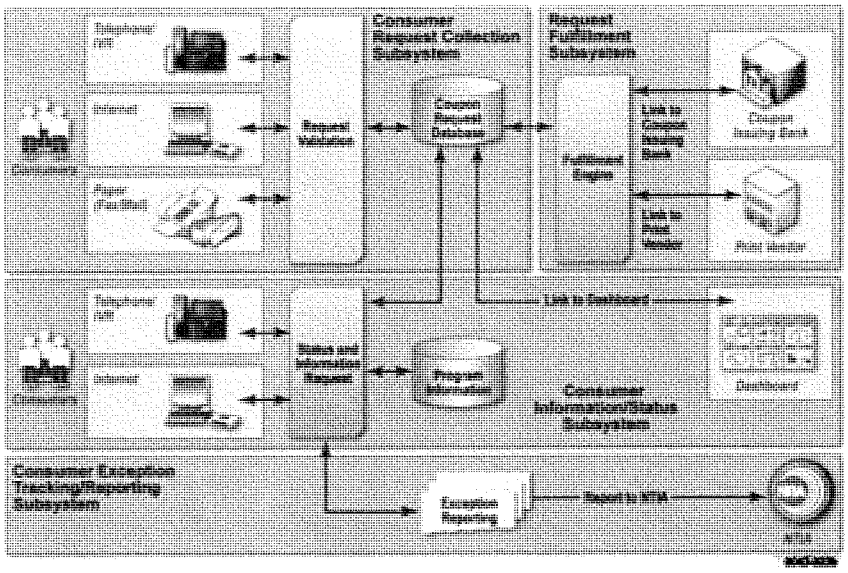
Our communications goal is to drive our target audiences to our toll-free number and web site where they can begin their participation in the Coupon Program by requesting vouchers. To measure the progress, results from the press release and public service announcement campaign (measured in media impressions) will be tracked and correlated to increases in local, regional, and national requests for vouchers (through the web site and toll-free number), and will show the effectiveness of the consumer education program. We intend to evaluate this on a frequent basis so that tactics and messages can be adjusted to suit the campaign. For example, if our analysis demonstrates we have saturated the media with th ıreness message sooner than expected, we can quickly shift to the messaging revolving around understanding of the program. Our activities will

include regular media monitoring, tracking partner activities, and monitoring website usage incorporating this information in the Coupon Program Dashboard.

We also intend to make electronic, downloadable materials available to partner organizations who choose to print additional copies of cleared materials. We will design hard-copy and electronic tool kits for the mass media and our grassroots partners, including sample press releases and newsletter articles; brochures; facts sheets with simple graphics; and presentations on the Coupon Program.

The consumer education component of the Coupon Program is designed to work in close partnership with the many stakeholders in the DTV Transition to create an effective and seamless information campaign.

Consumer Support



The Coupon application and distribution process is simple, consumer-focused, and provides multiple channels for access. Consumers can apply for coupons via the phone, web, or by picking up a paper application available in their community and mailing or faxing it into the Consumer Support Center.

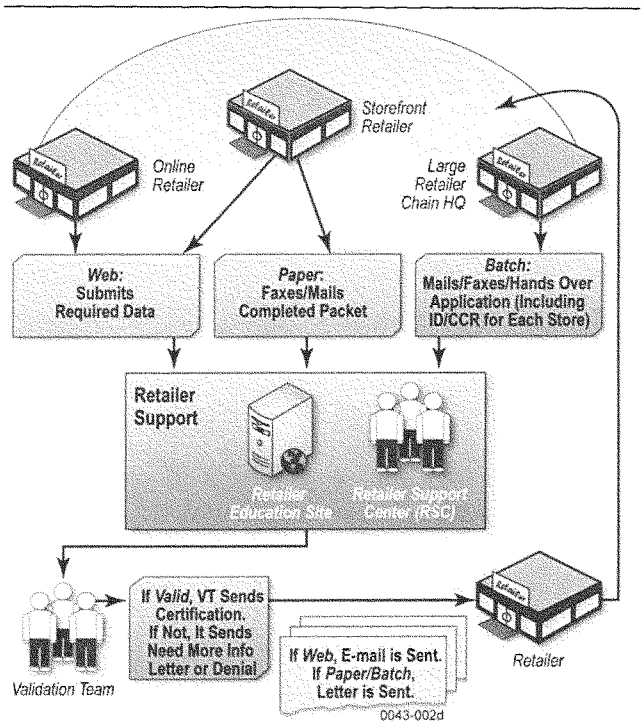
Web and phone support will be available 24x7 in 6 languages (Russian, Tagalog, simple Chinese, Korean, Spanish, and Vietnamese) in addition to English and for those in need of hearing impaired access.

The coupon application form itself is brief and only requires a minimal amount of information to participate: name, address, number of coupons requested (1or 2), verification of how a consumer receives TV service, and signature.

Once an application is received and validated at the Consumer Support Center, the coupon(s) will be mailed to the consumer's address. At the outset, we will set realistic expectations on the turnaround time for receipt of the coupon card for eligible applicants. The coupon is plastic and resembles a gift-card - something familiar to consumers and easy to use. The 90-day expiration date is printed directly on the face of the card so consumers will be aware of the time frame in which they need to use the coupon. Included in the coupon mailing to consumers will be information about where they can purchase a coupon-eligible converter box in their local area, and what they need to do to use the coupon.

Transparency of the process is also important to the success of the program so we will ensure consistent messaging throughout the consumer experience. That means a person calling into the phone center will hear the same information that is available on the website. We understand that consumer satisfaction in this program is highly dependent on consistent messaging and consumer service levels.

Consumer Retailer Certification and Training



Already operational, the retailer certification solution maximizes participation of eligible retailers and minimizes participation of ineligible retailers.

The goal is to provide the best consumer experience via convenient access to a certified retailer.

As with most industries, the 80/20 rule also applies to consumer electronics retailers – 80% of sales are driven by 20% of the retailers. Recognizing this fact, we are taking a two-pronged approach to recruit both large national retailers and smaller, local retailers to participate in the program.

Outreach to large retailers is taking place in the form of personalized calls and visits by acquisition specialists. Discussions are well underway with a number of the largest consumer electronics retailers. Initial feedback is positive and we anticipate a high level of participation.

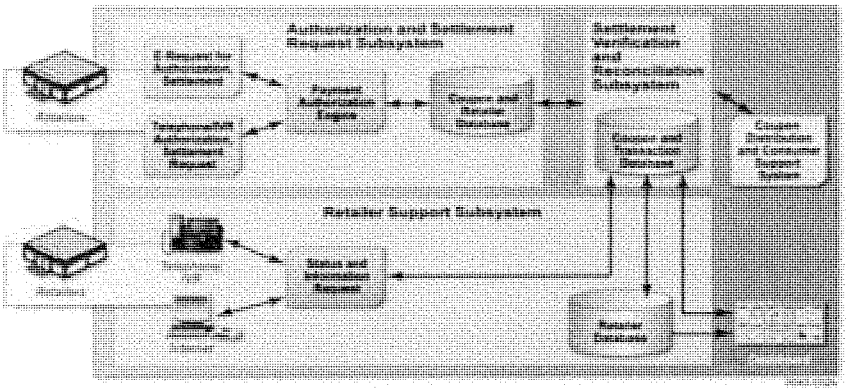
For smaller retailers, outreach about participating in the coupon program is based on a direct mail campaign which will begin later this month. The Retailer Support Center launched on October 1 with live operators. The Center is a resource for all retailers, but we anticipate it will be particularly helpful to smaller retailers.

The system provides multiple channels for both large and small retailers to certify their eligibility and enroll – web, phone, and paper (either mail or fax) are all options.

The solution includes a robust retailer verification process to confirm eligibility. An automated link to the central contractor registry (CCR) enables confirmation of data in real-time. This is backed up by a manual intervention process where required to deal with anomalies and exceptions.

Finally, the retailer is provided with training to insure proper execution of the program at the store/cash register level in order to achieve the best possible consumer experience.

Coupon Redemption, Payment and Retailer Support



The coupon redemption process is also designed to maximize retailer participation and minimize waste, fraud and abuse.

Six different redemption options are provided to retailers; all are based on real-time coupon authorization at the point of sale to confirm that a certified retailer is engaged in the transaction, and that the coupon is valid.

The technology and process for retailer and coupon validation is based on existing technology familiar to retailers and already resident at their cash registers.

The program incorporates use of the credit card industry's leading commercial payment authorization engine (TSYS) to evaluate and approve or decline individual coupon redemptions at the point-of-sale (POS). This POS authorization process provides the ability to identify and prevent fraudulent, expired or otherwise invalid cards from being redeemed.

For smaller retailers, Internet and automated telephone options are also available and will operate in real-time, making a telephone the minimum technology required to participate in the program.

In a typical chain store experience, the consumer will present the coupon card which is then swiped at the cash register just like a credit or gift card transaction. The system returns an authorization (or rejection if the coupon is not valid), the consumer pays any cost above the $40.00 value of the coupon, and leaves the store with the converter box. The coupon is instantly de-activated at the time of sale to insure that it cannot be used again.

Authorization data is then matched up with sales data and audited before the information is transferred to the U.S. Treasury for retailer reimbursement.

Additional analysis is performed to check for anomalies in redemption patterns. For example, if a large number of coupons distributed in North Carolina are being redeemed in Los Angeles, a further investigation and audit will be triggered.

Conclusion

The NTIA Coupon Program requires innovative thinking, leading technologies, and cooperation among retailers, broadcasters, government agencies, and a multitude of community based organizations. The IBM Team is pleased to be part of this vital program and recognizes the many challenges along the way to February 17, 2009. Our team is ready to meet those challenges and work to ensure that consumers across the United States have continued access to free television broadcasting, including educational, entertainment, emergency and homeland-security information.

Thank you for the opportunity to testify, and I am happy to answer any questions.

Mr. MARKEY. Thank you, Mr. Romeo.

So that completes the opening statements from the witnesses. The chairman will now recognize himself for a round of questions.

Ms. Fazlullah, you are bringing very troubling findings to our committee. People in your organization went out to stores, and they found out that people were not being given the accurate information by those who worked in these stores. Target has already been fined for not properly labeling their analog TV sets.

Are you concerned that in January, Target will be how that store views a consumer walking into the store, as someone who might be moved up to an HDTV set that costs $500 or $1,000, when all they need is a converter box for their analog TV set in order to be able to receive a digital signal?

Ms. FAZLULLAH. Yes, definitely. I think any of the top five retailers still have personnel in their stores who are not aware of the appropriate pieces of the transition, and as a result, upselling is a serious problem.

We do not make any conclusions in our report as to whether or not it is on purpose or anything like that. I think there is a lot of confusion out there in terms of what the details are. What we find troubling is that, when you go to a store representative, you expect them to have some expertise on the question or, at the very least, be able to guide you to the appropriate resources.

Mr. MARKEY. So you are not sure they are taking advantage right now?

Ms. FAZLULLAH. I would say that what they are doing in the stores right now definitely takes advantage of consumers, but I cannot say if it is on purpose or for just a lack of training.

Mr. MARKEY. Ms. Zirkin, do you think that there is a real risk here that these retail stores will take advantage of consumers?

Ms. ZIRKIN. I absolutely do. And for our communities, Mr. Chairman, the problem is that a TV is a total luxury; 48 percent, I believe—and I can check on that—of all over-the-air households have an income of under $30,000 a year. So, for them, it is a real stretch even to be able to afford what they would have to put up in terms of the coupons, and that is why we are so concerned.

Mr. MARKEY. Thank you.

Mr. Stout, I share your concern that the closed captioning is not adequately supported by new digital television equipment, even though the manufacturers have a legal obligation to ensure that that function is included. The FCC just circulated a consumer advisory on closed captioning. Does that alleviate your concern?

Mr. STOUT. I have not read that consumer advisory that was just released yesterday, but I will give you our feedback to be added to the record at a later date.

Mr. MARKEY. OK. Please do so. I have been working with Karen and with everyone associated with you going back to the late 1980s in terms of closed captioning being built into the law, and I would like to ensure that we do everything to maximize the accessibility for your community.

I also want to make sure that everyone knows that Karen's son, Jeremy, was not covering me when I ruptured my Achilles tendon. Just so that is clear for the record.

Mr. Romeo, I am concerned that retailers are not opting into the converter box program. Many of the retailers argue that the system upgrades they must make to process coupons are too onerous to implement before the Christmas rush.

How difficult are those system upgrades? Can they be accomplished before this holiday season so retailers can stock boxes in January 2008 when the coupons become available?

Mr. ROMEO. Sir, we are just starting to engage now in conversations with those retailers, but they have happened very quickly. We have talked to 23 of the largest retailers.

Mr. MARKEY. Is it a big deal? How hard is it?

Mr. ROMEO. We have given them six options to participate.

Mr. MARKEY. Is it a big deal? Is it hard to do?

Mr. ROMEO. It is not a big deal. It is not hard to participate. With the simplest option, they can send paper, too.

Mr. MARKEY. So if they do not have it done on January 1, they will have no excuses?

Mr. ROMEO. If they choose an option which is more automated for them, they would have to make a modification to their system. And during the Christmas season, they may choose to defer that until later next year, but I expect that we will have very broad participation by the retailers.

Mr. MARKEY. Yes. I mean my feeling is that since this program is not very difficult for retailers to participate in, my expectation would be and the committee's expectation would be that they would be ready on January 1 to deal with this rush of consumers who would be coming to their stores. And we are going to be making that very clear to the retail community.

I will now turn and recognize the ranking member of the committee, the gentleman from Michigan, Mr. Upton.

Mr. UPTON. Well, thank you, Mr. Chairman.

I am sorry I missed some of the testimony, but I was glad to get pieces of it, and I have got a couple of questions that I want to ask.

First of all, Ms. Fazlullah, you indicated in your testimony a couple of retail stores. I just wondered if they were in my neighborhood when you mentioned Target and Best Buy. They all seem to be together in my neighborhood right off Route 1 in Alexandria. Is that where they were?

Ms. FAZLULLAH. Those were some of the stores that we went to, yes.

Mr. UPTON. How long ago was it that you were there? My son seems to want to go there every week for something, so——

Ms. FAZLULLAH. Actually, we went to those stores, I believe, at the end of September; but we also visited them over our preliminary survey, which was in August.

Mr. UPTON. In August. The ads, at least as I have seen them as a consumer, have just started to run, and NAB is beginning to run their ads, I believe, this week, right? This week. So the word is now, unless you were in line in this committee room to get in over the last number of months, I would venture that most consumers do not know yet about the change, and that information is going to get out there.

I understand, Mr. Chairman, that we are going to have another hearing in a couple of weeks, right? At the end of October?

It will be in 2 weeks with a lot of the consumer groups, with the retail association, and we will be anxious to see the progress that they have made. But I will be checking with my folks, and I will visit some of those stores and see what is going on to make sure that they, in fact, have the information.

One of the concerns that I have heard already from a consumer who saw the ad was "I want to get my box now," but because they are not ready yet—they are not actually delivered—there is a reason why the cards have not been shipped out yet for people then to actually go get them. As we have seen in the demonstration, one of the selling points—and I have urged the NAB to do this—is that consumers will actually get a better picture when they convert it to digital than on their analog sets, so there will be an advantage to them to, in fact, get a better reception with the card.

Mr. Benjamin, in your testimony, one of the concerns that has been expressed is how hard or how difficult it will be to reach certain segments of the demographic groups that are out there. What is your reach of the organization, both in terms of geography and demographics, in terms of communicating with folks who may hear that message?

Mr. BENJAMIN. I would say, of the 225,000 members who we have had over this past year, a large percentage of those are located in the Midwest and southern region parts of the United States, which tend to be more rural than, perhaps, other sectors of the country. In fact, in many of our cases, we have chapters in schools that have 150 students in the high school, which, really, is indicative of the size of that community. So we think that we will have a significant outreach into the more rural areas of the country. Although, we are in, as I indicated, all 50 States.

Mr. UPTON. Well, again, as I have sat down with my local broadcasters—and my district is the southwest corner of Michigan, so we get Chicago over-the-air TV, but we rely a lot on South Bend, Kalamazoo, and Grand Rapids. We have some fairly rural areas in my district, but that is why it is so important for the broadcasters themselves, now that they have the message and now that they have the ads, to beam it into those of us who watch in order to get our attention and so that, in fact, those with just over-the-air will get that message, and then we need to obviously follow through with them to make sure that they get the card and are able to install the converter boxes as they become available.

Mr. Romeo, do you suspect that there will also be, in essence, mail order or Internet sales of the boxes through the retailers in addition to individuals just going to Best Buy or to Target or to Sears or wherever?

Of the retailers that you have talked to initially, are they planning to do the same thing? Is it going to be in a catalog?

Mr. ROMEO. Yes. So online retailers are we talking about? Yes. We believe there will be strong participation on that front.

Mr. UPTON. As they get that card, that gift card that they otherwise would swipe, will there be a number there to identify on the Internet so that they will be able to claim the credit?

Mr. ROMEO. There will be.

Mr. UPTON. I yield back.

Mr. GONZALEZ [presiding]. Thank you very much.

Let me just ask the witnesses: How much will the consumer have to pay for that converter box that has been approved and that is the genuine article? They are going to get a coupon for $40. What is it actually going to cost, do we know?

Mr. BENJAMIN. I heard the cheapest one is about $70, somewhere in that area, but I believe it is going to be more than the $40 coupon.

Mr. GONZALEZ. Yes. I am under the impression—and members of the committee and, I know, Mr. Markey would probably have the answer—that it is anywhere from $50 to $70, which means it is more like $70 to $100 or whatever. But I am not sure that the consumer is aware that it is going to cost more than the $40 coupon when they get up there. I think that is actually an important piece of information.

Ms. Zirkin, you pointed out something that is so important because it is my concern, but I do not know what we are going to do about it, and that is that the coupons should go to those who need it the most. My fear is, the way it is set up, it is the least likely scenario, and that is not going to be the result, because I do not think we have any priorities, and let me explain, and then I will ask you what we do about it.

Let us say we have someone who has cable access at home but that not all of their televisions are cable-connected, and so they need the box for the other TVs. The cable companies, obviously, at the head-in are going to reconvert, and they are fine, all right? That person probably is the best informed of any because we have the broadcasters, and we have the cable industry out there bombarding them with the information, so they are probably going to constitute the greatest number of coupon redeemers.

Then I have got somebody who has got a vacation home and decides, "We do not have cable or satellite out there, and I will get one for my vacation home." Then we probably have the person who needs it the most, that person who truly has the old set—analog—and so on. Quickly, because I have a question for Mr. Romeo: What do you propose we do? Because it does not look like that particular category of consumer is going to be really a priority.

Ms. ZIRKIN. And the other thing about that particular community is that they do not have Internet access. So that all of the fancy things, they are not going to get. I mean we believe we are looking at a disaster for these 21 million households, and what we are proposing at LCCR—and we cannot do it alone because all of our organizations are all public interest. Many of our organizations have conventions, have workshops. We can penetrate with the materials if we can get help, which is why we have stressed over and over again that $5 million for public education is simply not enough.

Mr. GONZALEZ. Ms. Zirkin, I am going to try to get this question in real quick to Mr. Romeo there.

I do not know if you can address this, because the person who is doing all of your outreach—is it Ketchum? What is the name?

Mr. ROMEO. Ketchum, yes.

Mr. GONZALEZ. All right. Do you know what partnerships they are actually entering into? It might be with Mr. Benjamin's group or so on. But what I am saying is that it is a noble effort and we need to do it. But what is obvious to me is: What does everyone

have in common who may have an analog television? That is, it has got to get plugged in, right? So they have to have electricity. That means they have to have utilities. That means they are probably getting a utility bill.

Are we thinking in terms of how we are going to piggyback on other governmental entities at the Federal, State and local levels, and especially utility companies?

You all may have already thought this through, and you are going, "Wow, Charlie, you are a genius," but are you aware of anything like that? Because that is the only way you are going to get into that house.

Mr. ROMEO. Sir, we are working closely with NTIA to take advantage of existing relationships, but I know there are discussions with all of the other Federal agencies to use their outreach to take advantage and to get the consumers that way.

Mr. GONZALEZ. I will really suggest, sir, that that effort is at the local government and utility level and, if we have any obstacles/impediments, that we start figuring out what that is now because tomorrow or January 1 is basically here.

Really quick, Ms. Fazlullah. I go into the electronics store. I have got a $40 voucher, and I have got a salesperson who says, "Hey, for another $100 or another $150, I can get you something that converts to signal but also allows you to play a DVD. For another $150, I can get you something that converts a signal, plays a DVD, and you can even record." What can we do about that?

Ms. FAZLULLAH. I think it is important that the Government step in and set actual guidelines as to what retailers are saying to the consumers about the DTV transition. Having set guidelines that put down on paper, "These are the pieces of the DTV transition that need to go into the hands of your personnel so that they can then say the correct things to consumers" is important.

Then, on the other side, if there are retailers that are actually upselling, then we have got to have a process in place to actually punish them for that.

Mr. GONZALEZ. Fine.

Ms. FAZLULLAH. I do not know if that is really adequately in place.

Mr. GONZALEZ. I do not think we are going to be able to do that, but I appreciate it because I think it is a real quandary. My time is up. Thank you very much for your testimony today.

At this time, I recognize Mr. Walden.

Mr. WALDEN. Thank you, Mr. Chairman.

I just have to follow up on this. Are you really saying that, if a clerk says to me when I go in, "Here is what your coupon is good for, for this converter box." Or, "Mr. Walden, we also have these other options available to you," that somehow that retailer should be punished for upselling? That is what I heard you say in response to Mr. Gonzalez's question.

If they say, "Oh, and this one has got a DVD player, and this one will do that and has," you know, "a big, new picture," you said we have got to take care of that and have a script. Are you serious?

Ms. FAZLULLAH. Well, I am serious about the fact that we need to have adequate information for consumers in these stores. I think it is a really confusing process.

Mr. WALDEN. That is not my question here.

My question, though, was this went further than just somebody's scamming a customer and a bait and switch and a fraud, which I am with you all the way on. If they say "Yes, come in and use your coupon" and then they do not happen to have boxes for, oh, a year, that is a different deal. But what I heard was we have got to regulate from the Federal Government what a salesperson says in terms of other options a consumer might want to take advantage of.

Ms. FAZLULLAH. I don't think that—I'm sorry if that is what it appeared. But I would actually like a process for fraud and upselling, which I think is very confusing. In conversations that I have had with the FCC and with the FTC, it is unclear what you do with consumer fraud situations with upselling. Do you go to the NTIA when there is a problem with the coupon program, or do you go to the FCC when there is a problem with the——

Mr. WALDEN. I am reclaiming my time because there is a difference between bait-and-switch and upselling, I think, as I understand it, which is offering consumers other opportunities and choices. Is that a problem? Do you call that a fraud?

Ms. FAZLULLAH. I would say maybe my definition of upselling is actually where you don't provide the adequate information about the converter box program or alternative situations as opposed to just jumping ahead and trying to sell an HDTV.

Mr. WALDEN. I think you need to train, and I think you need to make sure that the customer representatives know the whole deal on the consumer box. I fully agree with that. But if we start trying to write scripts for every salesperson in every retail outlet in America and then have the speech police come in and decide, I can't tell you that that TV has a converter box and a DVD player, and by the way, this one also has a stereo or whatever in it, and these are your options, then I think we have got a problem.

I am going to go to Mr. Romeo. Tell me how the process is going to work if I am a consumer and I apply for a card in January? I heard earlier today from the Secretary that they are going to delay the rollout of those cards commensurate with the product rollout. Now, what I want to get at is an issue that I apply. I live in a little town, but it is 60 miles from a major city in Oregon—Portland. Tell me how this database is going to work where you are going to list the stores I can go to that will have these converter boxes? How do you know where I shop or where I want to shop, and am I going to be limited? I know I can use that coupon anywhere. But let us say, on January 10, I am ready to go celebrate my birthday by getting my coupon that I ordered and going into Portland to a Best Buy and buying one of these converter boxes because I know they have them when perhaps the Radio Shack in Hood River doesn't. Who is going to decide for me when I get that coupon?

Mr. ROMEO. If you order the coupon, so we are working with NTIA on the rollout details. But in that scenario, we haven't talked about—we have the information from where you live when you order the coupon. We have your address. We have a list of certified retailers throughout the country. So we can send you the list of certified retailers in your geography. And that could be Zip Code or much broader than that. We are still working with NTIA on that.

Mr. WALDEN. And I concur that is a good idea to get the list or at least allow me somewhere where I can go and get a list. I have a district that is 70,000 square miles. It would stretch from the Atlantic to Ohio. It is an enormous district. And so when you limit to a Zip Code or a 15-mile radius or something——

Mr. UPTON. If the gentleman will yield just for 1 second. But you are also going to be able to get them through a mail order house or on the Internet where they can actually get them delivered.

Mr. ROMEO. And those would also be listed on the mailing, that you can order online. If there are retailers who provide the box online, they would also be listed.

Mr. WALDEN. I guess I am just trying to get to where consumers have as many options at their disposal as possible to get a coupon whenever they want to get it, get it returned to them, and then they make the decision. Because the Government doesn't always know—I know I am slightly over. I am kind of like the last one here, other than Mr. Terry. But anyway, I will quit. Thank you.

Mr. GONZALEZ. And to follow up on Mr. Walden, in my discussion, I don't mean to infer that someone is going to be able to get credit for the $40 on the upgrade. But I am also in the real world where I can see $40 rebates being offered by certain sellers when they do go and they upgrade.

Mr. WALDEN. So what would be wrong with that? If it is not the taxpayer subsidizing, it is some other company.

Mr. GONZALEZ. I am just saying that if you have somebody there with a $40 coupon, the consideration for the consumer is that they are getting credit for the $40. If they upgrade, they are not going to be able to apply that $40 credit. Therefore, I think what would happen is simply, it would be replaced by what would be, again, a $40 rebate just to go ahead and address the $40 that they are not going to be able to actually, I guess, cash in on. I do see a problem with that. I think people are going in there with the intention of what is a Government mandated arrangement, and it is not bait-and-switch, but definitely you have a captive audience, and you have certain individuals. I don't know the degree of sophistication. But I think you are going to run into some problems, and you need to anticipate it. To the extent that we educate individuals I think will go a long way. But I am saying, Mr. Walden is not wrong to say there is only so much we can do to protect any consumer.

The Chair at this time would recognize Mr. Terry from Nebraska.

Mr. TERRY. I appreciate that Mr. Gonzalez.

Mr. Romeo do you realize that it all stops with you.

Mr. ROMEO. I do.

Mr. TERRY. Everything we are talking about is going to be put on your plate. And I was asking some of my colleagues earlier on an issue that kind of bothered me. We talked a little bit about the bait-and-switch and the consumer or potential fraud on the consumer. I want to switch the discussion now, since we have discussed that, to fraud on the program. Because it seems by, just the system as it has been described to us, you sign up for this voucher, the debit card. You get it. You take it to your electronics retailer and get a box. It seems to me that it is ripe for fraud in a lot of different areas. And the first is asking for the debit card. What

would prevent me from going up and down my block in my neighborhood knowing that every household is entitled to two, and you go up and down most blocks. And frankly, in Omaha, no matter what part you go to, even in the poorer section, you are going to find that most houses, every TV is already hooked up to cable. So they will sit there and say, I will give you 20 bucks, you give me your two vouchers or give me your access to these two vouchers. Or likewise, developing a black market in some way for the equipment. I see a lot of different ways to turn this into cash for people at the expense of the program. Has IBM thought through this? How are they going to stop? Where do you anticipate potential fraud? Because, believe me, this will turn into fraud. There will be stories on it. Have you thought through the points that are most vulnerable, and what are you doing to prevent it?

Mr. ROMEO. Yes we have thought through many of the points of fraud. The coupon itself will only be redeemed. So the financial payment for the coupon will only be made when it is matched to a certified box sold at a retailer. And the retailer will get that money directly. So having a large value of coupons means that you will have to go to a retailer and redeem those coupons for certified boxes in that retailer. We also will look for patterns. So if there were a neighborhood that just ordered a tremendous volume of coupons and they were maybe redeemed in another State, we would see a fraud pattern in that and start to turn that over to NTIA for investigation.

Mr. TERRY. I am not sure that gives me a great deal of confidence. What type of system do you have in place to track whether you see a bump in what you would determine as fraudulent activity besides just out-of-State activity with the coupon?

Mr. ROMEO. Without getting into too much detail on the security, protections on the system, this is a credit card provider using the system that they use for credit card transactions. And they have a variety of methods to ensure that they are not defrauded from the use of their cards. So we are employing a lot of the pattern recognition that they would employ in their credit card systems today.

Ms. ZIRKIN. If I could say something, Mr. Terry. I think you have a very good question. And I think that there are two issues here. Fraud is one. But who is getting the boxes? And it is going to be very important in our opinion that the Congress with GAO track where it is going. Because it has to be an independent tracking. Nobody wants to wake up on February 17, and you all are going to be called, not me. And so I think it is in everybody's best interest to have the tracking done by the Congress and GAO so that you can see patterns.

For instance, in Detroit, if you see in the inner city that really many fewer coupons are being redeemed, then you have to think about or ask what is happening in terms of the public education. Or, in New York City, 10024 Zip Code, if there are a lot of them being redeemed, what is happening here? So I think the fraud point is important, and who is getting it is very important. Thank you, sir.

Mr. TERRY. That is a very good suggestion. And I will then suggest to our chairman that we follow through on those.

Mr. MARKEY. And I will follow your suggestion.

I will now turn and recognize the gentleman from Illinois, Mr. Shimkus.

Mr. SHIMKUS. Thank you, Mr. Chairman, and I appreciate you all for being here. You are competing with the Dalai Lama, which is big competition, but I believe, on February 17, 2009, the Dalai Lama is not going to have a complaint about whether his TV goes dark, but we will be receiving some of those. So thank you for your interest obviously and being here during this period.

A couple quick questions, if you will. And Mr. Romeo first. I was talking to one of my staffers. IBM administers one of the welfare programs in Indiana. Is that correct? Is that the right State?

Mr. ROMEO. It is.

Mr. SHIMKUS. And successfully?

Mr. ROMEO. Right.

Mr. SHIMKUS. And it is credited with obviously providing the services in a timely beneficial manner. I wish I knew all the details, but I just put the connection together. So you have experience in dealing with stuff like this.

Mr. ROMEO. We also run a very large portion of CMS's financial reporting, so depending on claims for CMS.

Mr. SHIMKUS. So it is probably safe to say that you have confidence you are going to be able to track the supply of the converter boxes as well as the coupon demand and redemption to ensure that the program runs smoothly?

Mr. ROMEO. Yes.

Mr. SHIMKUS. And I think the track record speaks to that so far. But we are pretty gun shy. We had a very successful Medicare prescription D program now. But the implementation of it led a lot of us to have concerns about that the first couple of months. So if there is skepticism, that is kind of the short term where Members have had to deal with that.

Mr. Benjamin, the question is, won't your program have consumer education benefits on multiple levels? First, you will be educating your 225,000 student members. Second, they will likely educate their parents. And third, they will be able to educate their communities. And doesn't this show how a simple grassroots idea can be used to leverage awareness.

Mr. BENJAMIN. Yes. We are looking at a multiplier effect. And you are absolutely correct. Starting with the individual members—and let me just say that, even though we talk about 225,000 members, that usually translates more or less into a 10–1 ratio because those are members; they are not students in a class who may not be members but who will be getting this information. So it starts in the classroom. Then it works to the school. They have student body rallies and what have you. So there it would be at the school level, then the parents and then, of course, connecting with the community. And we are working with the various partners, the National Association of Broadcasters, so that hopefully we would be linking up with local television stations as well. So it is a tremendous multiplier effect that we hope to see out of this effort.

Mr. SHIMKUS. And actually more than I would have even imagined. But we do know that it is the youth that really push technology. I remember going to a communications electronics show, and the MP–3, they were just rolling it out. And I was amazed at

how just the demand for music really driven by current kids was really pushing technology. So I imagine these kids are going to be saying, hey, mom, dad, we better be ready.

Mr. BENJAMIN. The other thing that is going to drive, I think, our chapters to be involved is the fact that they will be able to get some of these electronic gadgets, if you will, as a result of the prizes that will be offered. And they do love competition.

Mr. SHIMKUS. That they do. And I will try to finish on this last question. Ms. Zirkin, your concern is this first-come, first-served nature of the converter box. I kind of mentioned that, in the first panel, with the 8.3 million books sold, the Harry Potter books sold, which I stood in line for and bought three with my two sons, so I am very aware. And some of those came in a bookselling beforehand. This is a tradition of the Shimkus family now. I am glad the series is over. But where we stood in line for a couple hours at midnight, bought our two books, went to bed at 3:00 in the morning, got up whenever and about 10:00, another book came in the mail. So we had, in essence, three books, but we did the pop culture thing to do. And the NTIA, we talked about the numbers, about what is projected. The CEA says 8 million, broadcasters think, what, 23. The budget that is in place is for about 33.5 million coupons. And so we are pretty comfortable with that. But shouldn't we have focused on a—we had a debate when we moved the bill about doing a means testing. Should we have addressed a means testing as to really those who can't afford it deal with the coupons versus a coupon for everybody even if they don't need it?

Ms. ZIRKIN. I think your Harry Potter analogy is very, very good, and that goes to my concern. Harry Potter, unless you have been under a rock for the past 8 or 10 years, everybody knows about Harry Potter. Not everybody, my concern, is going to know about this. And that is why, in my testimony, I really stressed the whole public education effort. I think that if people know about it, people are going to go get it. My concern is reaching those people, many of whom are poor or working poor.

Mr. SHIMKUS. Shouldn't we have means tested the coupons?

Ms. ZIRKIN. I can't speak to that.

Mr. SHIMKUS. We will probably find out. If we have enough, there won't be an issue. If we don't have enough, it might have been part of the debate that we should have addressed.

Ms. ZIRKIN. I think NTIA attempted to in the last half billion dollars that is allocated. But I am not sure how that is going to work. And that is why we really are advocating oversight, which Chairman Markey is doing and others. But I think it is going to be critical. Because if there is a problem and if we see problems next year in terms of who is getting them, then I think Congress is going to have to step in at some point so that this is not a disaster.

Mr. SHIMKUS. I think Chairman Markey will do a great job of oversight.

Ms. ZIRKIN. I do, too. Thank you.

Mr. MARKEY. Thank you. And I thank the gentleman from Illinois.

Mr. SHIMKUS. H.R. 608. I yield back.

Mr. MARKEY. Anyone watching this has no idea what H.R. 608 is.

Mr. WALDEN. Maybe we should have a hearing on it.

Mr. MARKEY. We will have a hearing, by the way, in another couple of weeks with industries that are responsible for making this work. And by the way, this thing is coming this Thanksgiving; it is coming in 5 more weeks, 6 more weeks. People are going to be in department stores all over America in 4 or 5 weeks. And this is going to be a big moment where these stores better be ready to give people the honest information they need. The broadcasters, the cable industry, they better have already explained to people that they may be walking into a trap; they may be walking into situations that are going to be very dangerous for them as they purchase their new TV set. So let us do this. Let us have each one of you give us your best 1 minute for what it is that you want the committee to remember about your testimony. So I will begin with you Mr. Romeo.

Mr. ROMEO. Thank you. I just would like to say that IBM is in a position with our partners to execute the program in a successful manner. And we will be ready and operational on January 1. And we have designed the program to ensure that both the consumer and the retailer have a satisfactory transaction in the process.

Mr. MARKEY. Ms. Zirkin.

Ms. ZIRKIN. At the risk of repeating myself again, I urge that the Congress provide intense oversight with the General Accounting Office and be ready to actually step in so that nobody's TV goes dark. Because remember who folks are going to be coming to on February 7, 2009.

Mr. MARKEY. Who is that?

Ms. ZIRKIN. I think it is every Member of Congress. It might be every Member of Congress. It is certainly not going to anybody at this table. Thank you, Mr. Markey.

Mr. MARKEY. Thank you. I appreciate it.

Mr. Benjamin.

Mr. BENJAMIN. I think FCCLA with its 225,000 students, 7,000 chapters, will be prepared to engage in larger communities with our keep your TV on campaign.

Mr. MARKEY. Thank you for your work, Mr. Benjamin. Do you guys give out merit badges? Is there something you can win for doing this?

Mr. BENJAMIN. Well, they do give competitions. And in this case, the chapters, depending on how they stack up with other chapters, will get $500 coupons to purchase electronic equipment from Best Buy.

Mr. MARKEY. That is excellent. For turning in Best Buy, they will be able to get a certificate to go into Best Buy. That is great.

Ms. Fazlullah.

Ms. FAZLULLAH. I think one of the most important statements that is in our testimony is that we need to have a coordinated effort from Government on this. And I think the GAO noted this earlier, that there isn't really a leader. And we need have coordination among the different pieces of Government that are acting on this so that there can be a guiding hand for the retailers, for the public interest folks and for the consumers at large.

Mr. MARKEY. Thank you.

And finally, you, Mr. Stout.

Mr. STOUT. OK. I just wanted to clarify one part with you. Earlier you had asked me about the consumer advisory that was sent out yesterday. And I had just talked with some of my staff. And they said that the advisory doesn't address any of the issues that you had. In closing, I just wanted to emphasize, just in 1996, Congress finally mandated the FCC and the industry to provide us with closed captions. And it is one thing that you would get access to; it is also another thing to see the access continued. We have experienced the change from analog over to digital programming. We want to be able to experience complete accessibility there. We are like all other Americans; we deserve full TV access. Thank you.

Mr. MARKEY. Thank you, Mr. Stout.

And this committee agrees with you, and that is why we have consistently passed legislation to accomplish that goal. And we will take whatever action it takes in order to ensure that that happens in this area as well.

So today's hearing has given us an emergency broadcast system alert that the transition to digital TV is fast approaching, and several challenges loom. We have established that the FCC is the quarterback of the transition, but we need to see better coordination, better planning and contingency work being done, as the GAO recommended in their testimony here today. We obviously have consumer groups and hard-to-reach citizens for whom a comprehensive consumer outreach and education program is the top priority.

In 2 weeks, we will have another hearing to obtain testimony from key industries. We will have an opportunity to assess industry announcements regarding outreach and education at that time. And we then will about 3 weeks before Thanksgiving and the Christmas sales season opens have a real idea of where we are. This has been an excellent panel. We thank you for your testimony. The hearing is adjourned with the thanks of the subcommittee.

[Whereupon, at 2:35 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

HENRY A. WAXMAN, CALIFORNIA
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ONE HUNDRED TENTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515–6115

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MARSHA BLACKBURN, TENNESSEE

November 7, 2007

Mr. Michael Benjamin
Executive Director
Family, Career, and Community Leaders of America
1910 Association Drive
Reston, VA 20191

Dear Mr. Benjamin:

Thank you for appearing before the Subcommittee on Telecommunications and the Internet on Wednesday, October 17, 2007, at the hearing entitled "Status of the DTV Transition - Part 2." We appreciate the time and effort you gave as a witness before the Subcommittee.

Under the Rules of the Committee on Energy and Commerce, the hearing record remains open to permit Members to submit additional questions to the witnesses. Attached are questions directed to you from certain Members of the Committee. In preparing your answers to these questions, please address your response to the Members who have submitted the questions and include the text of the Member's question along with your response.

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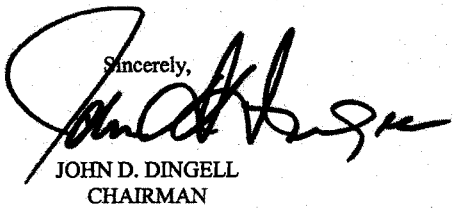
Thank you for your prompt attention to this request. If you need additional information or have other questions, please contact Amy Levine, Senior Counsel, at (202) 226-2424.

Sincerely,



JOHN D. DINGELL
CHAIRMAN

Attachment

cc: The Honorable Joe Barton, Ranking Member
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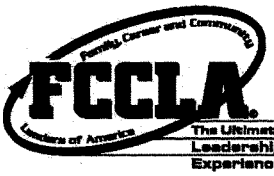
The Honorable Edward J. Markey, Chairman
Subcommittee on Telecommunications and the Internet

The Honorable Fred Upton, Ranking Member
Subcommittee on Telecommunications and the Internet

The Honorable John D. Dingell

1. *Funding for the Converter Box Coupon Program*

At the hearing, Assistant Secretary Kneuer of the National Telecommunications and Information Administration stated that he believed there is adequate funding for the Digital Television converter box coupon program. Federal Communications Commission Chairman Martin as well as Mr. Mark Goldstein of the Government Accountability Office both stated that they were not as confident as Assistant Secretary Kneuer that adequate funding exists for the coupon program. Do you believe that the funds allocated for the coupon program will be sufficient to provide coupons to every household that requests them? Please explain why you agree or disagree with Mr. Kneuer's assessment.



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November 14, 2007

The Honorable John D. Dingell
Chairman
United States House of Representatives
Committee on Energy and Commerce
316 Ford House Office Building
Washington, DC 20515-6115

Dear Mr. Chairman:

In response to your letter of November 7, 2007, related to my appearance at the Subcommittee on Telecommunications and the Internet hearing on Wednesday, October 17, 2007, entitled "Status of the DTV Transition – Part 2" I am providing information in response to your Question #1, Funding for the Converter Box Coupon Program--

> At the hearing, Assistant Secretary Kneuer of the National Telecommunications and Information Administration stated that he believed there is adequate funding for the Digital Television converter box coupon program. Federal Communications Commission Chairman Martin as well as Mr. Mark Goldstein of the Government Accountability Office both stated that they were not as confident as Assistant Secretary Kneuer that adequate funding exists for the coupon program. Do you believe that the funds allocated for the coupon program will be sufficient to provide coupons to every household that requests them? Please explain why you agree or disagree with Mr. Kneuer's assessment.

Family, Career and Community Leaders of America (FCCLA) members will be conducting local projects efforts to increase awareness about the analog to digital transition. FCCLA is promoting this community service outreach opportunity to over 225,000 student members in nearly 7,000 chapters in all 50 states and Puerto Rico and the Virgin Islands. As I mentioned at the hearing, FCCLA is a Career and Technical Student Organization, endorsed by the U. S. Department of Education, Office of Vocational and Adult Education.

FCCLA members across the country will be involved in the new initiative "Keep Your TV On." The effort is a partnership with Best Buy Co., Inc. and its Best Buy and Geek Squad brands. FCCLA has also involved the National Telecommunications and Information Administration of the Department of Commerce and other partners including media outlets. The thrust of the projects by local FCCLA chapter members is to increase

awareness of FCCLA and the Digital Television Converter Box Coupon Program. Our organization does not have data to answer whether adequate funding exists for the coupon program. We will have estimated numbers reached as outreach efforts occur beginning in January 2008. Numbers requested on the Family, Career and Community Leaders of America, Inc. 2008 National Chapter Keep Your TV On Award Application from local chapters choosing to apply for awards provided by
Best Buy Co., Inc. /Geek Squad will include—

- Affiliated chapter members
- Chapter members participating in the project
- Coupon application requests
- Population of community
- Total enrollment of school
- Estimated reach of project

These numbers should identify based on the outreach effort particular community profiles. As our collaboration with Best Buy Co., Inc and Geek Squad continues through July 2008, total outreach numbers reported will be available, giving us a better picture of coupon needs in various communities where FCCLA exists across the country.

As FCCLA members plan and implement campaigns to increase awareness of the transition to digital television and the United States Department of Commerce Coupon Program, outreach will occur through the unique vehicle of student leadership. We welcome this opportunity and look forward to making a difference in many communities across the country.

Sincerely,

Michael L. Benjamin

Michael L. Benjamin, M.P.H., CAE
FCCLA Executive Director

HENRY A. WAXMAN, CALIFORNIA
EDWARD J. MARKEY, MASSACHUSETTS
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November 7, 2007

Ms. Amina Fazlullah
Staff Attorney
Media and Telecommunications
U.S. Public Interest Research Group
218 D Street, S.E.
Washington, D.C. 20003

Dear Ms. Fazlullah:

Thank you for appearing before the Subcommittee on Telecommunications and the Internet on Wednesday, October 17, 2007, at the hearing entitled "Status of the DTV Transition - Part 2." We appreciate the time and effort you gave as a witness before the Subcommittee.

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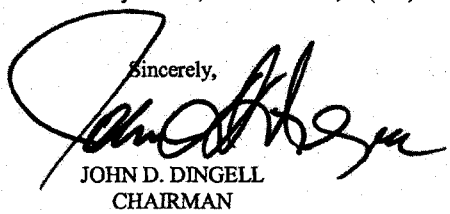

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The Honorable John D. Dingell

1. *Funding for the Converter Box Coupon Program*

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November 7, 2007

Mr. Mark L. Goldstein
Director, Physical Infrastructure Issues
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Goldstein:

Thank you for appearing before the Subcommittee on Telecommunications and the Internet on Wednesday, October 17, 2007, at the hearing entitled "Status of the DTV Transition - Part 2." We appreciate the time and effort you gave as a witness before the Subcommittee.

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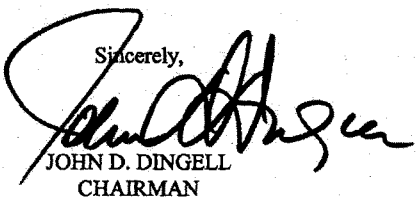

JOHN D. DINGELL
CHAIRMAN

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The Honorable Edward J. Markey, Chairman
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The Honorable Fred Upton, Ranking Member
Subcommittee on Telecommunications and the Internet

The Honorable John D. Dingell

1. *Funding for the DTV Converter Box Coupon Program*

   a. At the hearing, the Federal Communications Commission (FCC) Chairman Martin stated that he was not as confident as Mr. Kneuer that adequate funding exists for the Digital Television (DTV) converter box coupon program. You agreed with Mr. Martin's assessment. In addition to your concern about the adequacy of the funding, do you have other concerns about the program? If so, please describe your concerns in detail.

   b. The potential shortfall of funding for the converter box coupon program raises a number of concerns. In your experience examining government agencies and government agency programs, do you think it would be prudent for the National Telecommunications and Information Administration to prepare for a potential shortfall, including having a process in place to address a potential shortfall? If so, how should that process be structured?

2. *DTV Inter-Agency Task Force*

   At the hearing, you stated that you believe that the FCC has the statutory authority necessary to convene an inter-agency task force to address the DTV transition. Please elaborate on which statutory provisions you believe provide the FCC with the necessary authority.

United States Government Accountability Office
Washington, DC 20548

November 19, 2007

The Honorable John D. Dingell
Chairman
Committee on Energy and Commerce
House of Representatives

Subject: *Digital Television Transition: Questions on the DTV Converter Box Subsidy Program and a DTV Inter-Agency Task Force*

Dear Chairman Dingell:

This letter responds to questions from your November 7, 2007, letter inquiring about issues discussed at the October 17, 2007, hearing before the Subcommittee on Telecommunications and the Internet on the digital television (DTV) transition.[1] In your letter, you asked if we have concerns about the converter box subsidy program. You also asked whether the National Telecommunications and Information Administration (NTIA) should prepare for a potential shortfall in program funding, in part by developing a process to address a potential shortfall. You also asked us to elaborate on the statutory provisions that we believe provide the Federal Communications Commission (FCC) with the necessary authority to convene an inter-agency task force. We prepared our responses during November 2007 in accordance with generally accepted government auditing standards. Our responses are based on our previous and ongoing work and our knowledge of the subjects raised by your questions. Because our responses are based on work for which we sought and incorporated agency comments, we did not seek agency comments on our responses to these questions.

Regarding the converter box subsidy program, we believe the subsidy program faces challenges that could affect the outcome of the program. These challenges include the coordination of several groups, readiness of retailers to accept coupons, and potential issues related to inventory planning. In particular, the subsidy program's outcome depends on the coordination and participation of NTIA, its contractor IBM, converter box manufacturers, retailers, and consumers. Manufacturers and retailers are voluntarily participating in the program, as NTIA does not have the authority to require their participation. Further, retailers we contacted expressed concerns about the possibility of a coupon redemption system that would affect their point-of-sale systems, noting that modifying these systems can be time-consuming, resource-intensive, and expensive, and

[1]GAO, *Digital Television Transition: Preliminary Information on Progress of the DTV Transition*, GAO-08-191T. (Washington, D.C.: October 17, 2007).

can affect their other financial systems. Retailers told us that March or April of 2008—3 to 4 months after consumers can begin requesting coupons—is a likely time frame for retailers to be ready to participate in the program. Retailers also told us that participating in the converter box subsidy program could require a considerable amount of effort for a one-time program with a product that has a limited shelf life and low profit margin. In addition, since retailers' participation in the subsidy program is voluntary, some manufacturer, advocacy, and retailer representatives we contacted expressed concern about consumers' ability to find participating retailers that are able to redeem coupons and have converter boxes in stock. Furthermore, uncertain demand for the converter boxes, as well as uncertainty about the extent of retailers' participation in the program, could affect the number of converter boxes that manufacturers produce and the corresponding availability of coupon-eligible converter boxes in stores. During our ongoing work associated with the DTV transition, we will continue to analyze and examine the converter box subsidy program, exploring issues such as fraud and retailer knowledge about the program.

We have not evaluated whether NTIA should prepare for a shortfall in funding for the converter box subsidy program. However, we note that the Digital Television Transition and Public Safety Act provided an initial amount of $990 million for the converter box subsidy program, of which $100 million can be used for administrative expenses. If NTIA determines the initial allocation of funds is insufficient to fulfill coupon requests, the act requires NTIA to certify that the funds are insufficient to the House Committee on Energy and Commerce and the Senate Committee on Commerce, Science, and Transportation. The act provides that 60 days following this notification, NTIA will receive $510 million in additional program funds, of which $60 million can be used for administrative expenses (see table 1). NTIA established that during the initial funding allocation, any household is eligible to request and receive coupons, but once NTIA receives the additional allocation of funds (after $890 million worth of coupons have been redeemed, and issued but not expired) any households requesting coupons during this second phase must certify that they do not receive cable, satellite, or other pay television service. In addition, NTIA required that IBM develop a Web-based electronic "dashboard" that provides real-time access to program status and performance measures, including the number of coupons pending, mailed, redeemed, expired, and canceled. NTIA officials told us that they will monitor the coupon metrics on the electronic dashboard and use this information to inform the congressional committees if they would need the additional funds. They added that this monitoring should help avoid any lapse in depletion of the initial $890 million and receiving the additional funding.

Table 1: Converter Box Subsidy Program Funding

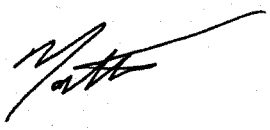
Dollars in millions			
	Funds available for coupons	**Funds available for administrative costs**	**Total**
Initial allocation	$890	$100	**$990**
Additional allocation	$450	$60	**$510**
Grand total	**$1,340**	**$160**	**$1,500**

Source: GAO analysis of NTIA data.

In response to your question about the statutory authority for FCC to convene an inter-agency task force, the Federal Advisory Committee Act[2] (FACA) authorizes federal agencies (in addition to Congress and the President) to establish federal advisory committees, which may consist of private as well as public sector members. FCC has several federal advisory committees that provide advice and recommendations to the commission on numerous technical, operational, and consumer telecommunications issues. All of FCC's federal advisory committees are discretionary, meaning the committees were not required to be established by law but rather were established by FCC. FACA requires advisory committees to have membership fairly representing an array of viewpoints and interests. We reviewed FCC's federal advisory committees in 2004[3] and found that its advisory committees had members representing numerous sectors across telecommunications including industry, academia, advocacy groups, private consulting, and government. We note that in June 2007, FCC rechartered an intergovernmental advisory committee comprising 15 representatives from local, state, and tribal governments to help it address, among other things, consumer education about the DTV transition. Similarly, it rechartered a consumer advisory committee that will also make recommendations to FCC about the DTV transition on behalf of consumers, with specific representation for people with disabilities and other underserved or at-risk populations.

If you or your staff have any questions or would like to discuss this response, please contact me at (202) 512-2834 or goldsteinm@gao.gov.

Sincerely yours,



Mark L. Goldstein
Director, Physical Infrastructure Issues

(543198)

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[2]Pub. L. 92-463, codified at 5 U.S.C. app. 2.

[3]GAO, *Federal Communications Commission: Federal Advisory Committees Follow Requirements, but FCC Should Improve Its Process for Appointing Committee Members*, GAO-05-36. (Washington, D.C.: Dec. 10, 2004).

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ONE HUNDRED TENTH CONGRESS

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Committee on Energy and Commerce
Washington, DC 20515–6115

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November 7, 2007

The Honorable John M. R. Kneuer
Assistant Secretary for Communications and Information
National Telecommunications and Information Administration
U.S. Department of Commerce
1401 Constitution Ave., N.W.
Washington, D.C. 20230

Dear Assistant Secretary Kneuer:

Thank you for appearing before the Subcommittee on Telecommunications and the Internet on Wednesday, October 17, 2007, at the hearing entitled "Status of the DTV Transition - Part 2." We appreciate the time and effort you gave as a witness before the Subcommittee.

Under the Rules of the Committee on Energy and Commerce, the hearing record remains open to permit Members to submit additional questions to the witnesses. Attached are questions directed to you from certain Members of the Committee. In preparing your answers to these questions, please address your response to the Members who have submitted the questions and include the text of the Member's question along with your response.

To facilitate the printing of the hearing record, your responses to these questions should be received no later than the close of business **Friday, November 16, 2007**. Your written responses should be delivered to **316 Ford House Office Building** and faxed to **202-225-5288** (Please put to the attention of Mr. Philip Murphy, Staff Assistant with the Committee). An electronic version of your response should also be sent by e-mail to Mr. Murphy at **phil.murphy@mail.house.gov** in a single Word formatted document.

Thank you for your prompt attention to this request. If you need additional information or have other questions, please contact Amy Levine, Senior Counsel, at (202) 226-2424.

Sincerely,

JOHN D. DINGELL
CHAIRMAN

Attachment

cc: The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

The Honorable Edward J. Markey, Chairman
Subcommittee on Telecommunications and the Internet

The Honorable Fred Upton, Ranking Member
Subcommittee on Telecommunications and the Internet

The Honorable Lois Capps, Member
Subcommittee on Telecommunications and the Internet

The Honorable John D. Dingell

1. *Funding for the Converter Box Coupon Program*

   At the hearing, in response to my question as to whether there is enough funding for the DTV converter box coupon program, you responded that you didn't "think there will be anybody left behind for want of resources. All the demand estimates we have seen say we have got adequate resources." Please elaborate on why you believe that current funding for the coupon program will be adequate. Please provide to the Committee copies of the "demand estimates" that you referenced in your response. Have you considered obtaining demand estimates from any additional sources? If so, which sources?

2. *Demand for Converter Boxes from Satellite Customers*

   Is it possible that households that subscribe to cable or satellite service and have all analog television sets connected to the cable or satellite service may still want a converter box? Would some households that subscribe to cable or satellite want a converter box to receive multicast signals that are not carried by the pay-tv provider? Would households that subscribe to cable or satellite service and have an expectation that they can switch to an antenna to receive over-the-air broadcasts when their cable or satellite service is not working need a converter box for analog sets after the transition so they can continue to function at such times? Do the demand estimates on which you rely for your determination that there is adequate funding for the coupon program explicitly consider these possibilities? Are there any other variables that might increase demand for coupons for converter boxes that NTIA should be considering?

3. *Funding for the Converter Box Coupon Program*

   a. Both FCC Chairman Martin and Mr. Goldstein of the Government Accountability Office (GAO) expressed uncertainly concerning your assessment that the coupon program is adequately funded. Given their uncertainty, do you think it is possible that more consumers could request and redeem coupons than you currently anticipate? Have you provided any documents or studies that constitute the basis of your assessment that the coupon program is adequately funded to either the FCC or to the GAO?

   b. If, in fact, there turns out to be inadequate funding for the coupon program, how will NTIA address that situation? Do you have a contingency plan in place to address a potential funding shortfall? How far in advance of the funds running out would you be able to notify Congress about a potential funding shortfall?

4. *Discrepancies in Distribution and Redemption Times for Converter Box Coupons*

IBM's contract with NTIA states that "[p]er NTIA's guidance, we do not currently plan to begin coupon distribution and redemption until April 1, 2008." The Deficit Reduction Act provides that households may begin applying for coupons on January 1, 2008. I find this discrepancy puzzling. Why did you choose April 1, 2008, as the date when IBM will be prepared to distribute and redeem coupons when the statute provides a commencement date of January 1, 2008?

5. *Out of Stock Retailers*

Will you require certified retailers to make accommodations for consumers who bring a coupon to a store only to find that there are no converter boxes in stock? If your answer is yes, please describe those accommodations. If your answer is no, please explain why your requirements for the certified retailer program do not address this issue.

6. *NTIA's Relationships to Other Government Entities*

Other than the FCC, please list and describe the working relationships or agreements that NTIA has with other governmental entities with respect to facilitating the DTV transition. Please provide copies of any agreements and of any correspondence discussing such working relationships to the Committee.

7. *Returning Converter Boxes*

NTIA's final rule for the converter box coupon program provides that a consumer who uses a coupon to purchase a converter box and then decides to return the converter box to the retailer will only receive a refund for any amount the consumer paid over the $40 coupon subsidy.

a. In this scenario, what will happen to the $40 coupon subsidy? Will the $40 be credited back to the government to use for another coupon?

b. If the $40 will be credited back to the government to use for another coupon, have NTIA and IBM established a process to facilitate the refund? If no process has yet been established, do you intend to implement one?

c. If a consumer returns a converter box purchased, in part, with a coupon, will the consumer be able to apply for and receive a replacement coupon? If so, have you established a procedure for processing such requests?

The Honorable Lois Capps

1. *Up-Selling*

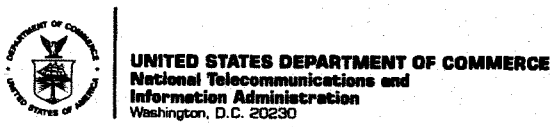
   a. What recourse will consumers have if they feel they were unnecessarily "up-sold" or misinformed—purposefully or not—by a retailer?

   b. How does the Federal Communications Commission plan to work with the National Telecommunications and Information Administration (NTIA), which is responsible for the digital-to-analog converter box coupon program, to ensure that retailers participating in the program are providing accurate and complete information and are not "up-selling" consumers?

   c. Will NTIA retailer certification include or involve training or best practices on preventing unnecessary or misleading "up-selling?"

2. *Converter Box Returns*

   Will the NTIA require that consumers be permitted to return converter boxes to retailers in the event that the consumer feels that they no longer need or want the box?



UNITED STATES DEPARTMENT OF COMMERCE
National Telecommunications and Information Administration
Washington, D.C. 20230

NOV 21 2007

The Honorable John D. Dingell
Chairman
Committee on Energy and Commerce
House of Representatives
Washington, DC 20515

Attention: Philip Murphy

Dear Chairman Dingell:

Please find enclosed answers to the questions posed by Representative Lois Capps and yourself at the Subcommittee on Telecommunications and the Internet hearing entitled "The Status of the DTV Transition – Part 2" on October 17, 2007. Assistant Secretary Kneuer appreciated the opportunity to testify before the Subcommittee in these important matters.

If you have any further questions in the future on issues related to the Digital-to-Analog Converter Box Coupon Program, please do not hesitate to contact me or Jim Wasilewski, NTIA's Director for Congressional Affairs, at (202) 482-1551.

Sincerely,

Meredith Baker

Meredith Attwell Baker
Acting Assistant Secretary

Enclosures

cc: The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

The Honorable Edward J. Markey, Chairman
Subcommittee on Telecommunications and the Internet

The Honorable Fred Upton, Ranking Member
Subcommittee on Telecommunications and the Internet

The Honorable Lois Capps, Member
Subcommittee on Telecommunications and the Internet

Hearing on the Status of the DTV Transition – Part 2
Subcommittee on Telecommunications and the Internet
October 17, 2007

Questions for the Record to NTIA from Chairman John D. Dingell

Question 1: Funding for the Converter Box Coupon Program

At the hearing, in response to my question as to whether there is enough funding for the DTV converter box coupon program, you responded that you didn't "think there will be anybody left behind for want of resources. All the demand estimates we have seen say we have got adequate resources." Please elaborate on why you believe that current funding for the coupon program will be adequate. Please provide to the Committee copies of the "demand estimates" that you references in your response. Have you considered obtaining demand estimates from any additional sources? If so, which sources?

Answer: In accordance with Executive Order 12866, an Economic Analysis (attached as Exhibit A) was completed outlining the costs and benefits of implementing the coupon program. Rather than choosing data on the number of broadcast-only sets from a single source, NTIA determined a range, based on the highest and lowest figures given from reputable third-party sources. The Consumer Electronics Association estimated the number of broadcast-only sets in all television households at 32.7 million; this was the lowest estimate. Consumers Union/Consumer Federation of America had the highest estimate at 80 million sets.

Using these numbers as a point of departure, NTIA next projected what the number of broadcast-only TVs would be in June 2008, when demand for the coupon program was projected to begin picking up. NTIA arrived at an estimate, based on a conservative replacement rate for analog TVs, of between 29.1 and 74.2 million sets.

Third, NTIA took an estimate, based on survey research, of the number of households likely to choose the converter box option. Given that some consumers, when given their options, may choose to buy a new digital television or subscribe to a pay televisions service, NTIA estimates that demand for converter boxes will be 70% of total sets, or between 20.4 and 51.9 million sets.

Finally, NTIA has determined, based on market research, that about ¼ of all consumers do not use coupons. Of those who do, the majority do not redeem coupons they have acquired, regardless of their value. Based on this data, NTIA conservatively estimates that 50% of consumers will redeem with coupons, yielding a potential demand for coupons (actual redemptions, not requests) between 10.2 and 26 million coupons. Under this estimate, there is sufficient funding for the DTV Converter Box Program.

Question 2: Demand for Converter Boxes from Satellite Customers

Is it possible that households that subscribe to cable or satellite service and have all analog television sets connected to the cable or satellite service may still want a converter box? Would some households that subscribe to cable or satellite want a converter box to receive multicast signals that are not carried by the pay-tv provider? Would households that subscribe to cable or satellite service and have an expectation that they can switch to an antenna to receive over-the-air broadcasts when their cable or satellite service is not working need a converter box for analog sets after the transition so they can continue to function at such times? Do the demand estimates on which you rely for your determination that there is adequate funding for the coupon program explicitly consider these possibilities? Are there any other variables that might increase demand for coupons for converter boxes that NTIA should be considering?

Answer: A small number of coupon requests may come from cable or satellite consumers who want a "backup" option after February 17, 2009. Today, if there is a disruption of service, most consumers simply wait until the cable service comes back on. There is no research indicating that people will behave differently once the transition occurs. Today, if an emergency disrupts cable or satellite service, consumers may turn to an alternative media, such as radio or word of mouth via the telephone, to receive information. Another small subset of cable or satellite subscribers might desire a converter box to receive multicast signals not carried by their provider, but neither of these scenarios would generate sufficient demand to affect our estimates in Question 1. Any pay-tv subscribers considering getting a converter must be able to receive an over-the-air broadcast signal (*e.g.*, with rabbit ears or roof top antenna) and many of these homes do not have that capability.

Question 3: Funding for the Converter Box Coupon Program
a. Both FCC Chairman Martin and Mr. Goldstein of the Government Accountability Office (GAO) expressed uncertainty concerning your assessment that the coupon program is adequately funded. Given their uncertainty, do you think it is possible that more consumers could request and redeem coupons than you currently anticipate? Have you provided any documents or studies that constitute the basis of your assessment that the coupon program is adequately funded to either the FCC or to the GAO?

Answer: Based on our economic analysis, outlined in the answer to question 1, NTIA does not anticipate consumer demand exceeding the supply of coupons. We have analyzed data from a range of organizations, such as the Consumer Electronics Association, the National Association of Broadcasters, the U.S. Government Accountability Office, and Consumers Union/Consumer Federation of America. Based

on our assessment of likely patterns of consumer behavior, even the most liberal estimate of coupon demand yields a figure of 26 million that is well under the total number of coupons available to consumers (33.5 million).

b. If, in fact, there turns out to be inadequate funding for the coupon program, how will NTIA address that situation? Do you have a contingency plan in place to address a potential funding shortfall? How far in advance of the funds running out would you be able to notify Congress about a potential funding shortfall?

Answer: NTIA's electronic coupon system will provide timely information on coupon requests and redemptions and will, therefore, have significant lead time to notify Congress of potential funding shortfalls.

Question 4: Discrepancies in distribution and Redemption times for Converter Box Coupons

IBM's contract with NTIA states that "[p]er NTIA's guidance, we do not currently plan to begin coupon distribution and redemption until April 1, 2008." The Deficit Reduction act provides that households may begin applying for coupons on January 1, 2008. I find this discrepancy puzzling. Why did you choose April 1, 2008, as the date when IBM will be prepared to distribute and redeem coupons when the statute provides a commencement date of January 1, 2008?

Answer: NTIA's contract with IBM provides that coupons will be distributed no later than April 1, 2008. The paragraph from which the sentence is quoted (IBM's Performance Work Statement) states that, "since [IBM] will have completed the O[perational] C[apability] D[emonstration] much earlier, we will be ready to begin full operational activities before April 1 if NTIA directs us to do so. This operational readiness gives NTIA the flexibility to respond to the public or other pressures to begin distributing and processing the coupons early." (Attachment I, IBM Performance Work Statement, p. 32). IBM's ability to distribute coupons as soon as converters will be on store shelves was an attractive feature of their proposal. Applications from the public for coupons will be accepted starting January 1, 2008, and IBM will begin accepting coupon requests on that date via telephone, Internet, mail, and fax.

NTIA continues to encourage retailers to market converters as early as possible in 2008 consistent with the expressed intent of the Committee. Some retailers are reporting that they may be able to have converters in stores in March. A few believe they may be able to make a January date, but are uncertain whether the converter will be available nationally.

Working with IBM's Team, NTIA will consider several issues to determine the date to start distributing coupons. First, over a year ago, in response to the Notice of Proposed Rulemaking issued by NTIA to implement the statute, retailers informed the agency that they would not be able to make changes in inventory or purchasing systems through the holiday season which, they indicated, will last through mid-to-late January 2008.

Second, manufacturers have developed this new product on a compressed schedule and many have indicated that they will not commence large-scale production and shipments to retailers until January 2008. Third, the statute provides that coupons expire 90 days after they are issued. Based on current information about manufacturers' and retailers' readiness, inventory plans and holiday schedules, we have determined that coupon distribution may begin in advance of April 1, 2008 and we are targeting February 17, 2008 to do so.

Question 5: Out of Stock Retailers

Will you require certified retailers to make accommodations for consumers who bring a coupon to a store only to find that there are no converter boxes in stock? If your answer is yes, please describe those accommodations. If your answer is no, please explain why your requirements for the certified retailer program do not address this issue.

Answer: Retailers have established store policies that vary regarding "rain checks" and other ways to handle temporary stock shortages. NTIA's rule requires retailers to "use commercially reasonable methods to order and manage inventory to meet customer demand for CECBs." (47 C.F.R. 301.6(a)(4)). NTIA believes that retailers should be able to use their own judgment to accommodate customers' needs. It is likely that many retailers will assist customers with making coupon transactions for converters that will be either shipped to the customer's home or be available for pick up at a later time in the store. Certified retailers who consistently fail to maintain adequate inventory to meet consumer demand risk de-certification from the program.

Question 6: NTIA's Relationship to Other Government Agencies.

Other than the FCC, please list and describe the working relationships or agreements that NTIA has with other governmental entities with respect to facilitating the DTV transition. Please provide copies of any agreements and of any correspondence discussing such working relationships to the Committee.

Answer: NTIA is currently working with the following federal, state, and local government agencies and associations to leverage their existing communications networks to reach consumers they serve.

Appalachian Regional Commission
U.S. Department of Health and Human Services (HHS), Administration on Aging
U.S. Department of Health and Human Services (HHS),
Administration for Children and Families
U.S. Department of Agriculture (USDA), Cooperative State Research,
Education & Extension Service
U.S. Department of Agriculture (USDA), Farm Services
U.S. Department of Agriculture (USDA), Rural Development Centers
U.S. Department of Agriculture (USDA), Food Stamp Program

U.S. Department of Agriculture (USDA), Food & Nutrition Services
U.S. Department of Agriculture (USDA), 4-H Council Community Service
U.S. Department of Defense
U.S. Department of Education
U.S. Department of Housing and Urban Development (HUD)
U.S. Department of Housing and Urban Affairs (HUD)
Homes & Communities Division
U.S. Department of Commerce, Economic Development Administration (EDA)
General Services Administration
Internal Revenue Service (IRS), Earned Income Tax Credit
Social Security Administration
U.S. Department of Veterans Affairs
U.S. Department of Homeland, Security, Citizenship and Immigration Services
National Council on Disability
White House and State offices of Faith Based
and Community Initiatives

In addition, NTIA is working with The National League of Cities, National Conference of State Legislatures, National Association of Regulatory Utility Commissioners, National Association of Counties, Community Action Partnerships, and many of their local and state government social service offices. NTIA is continuing to work to expand this list of partners.

Question 7: Returning Converter Boxes

NTIA's final rule for the converter box coupon program provides that a consumer who uses a coupon to purchase a converter box and then decides to return the converter box to the retailer will only receive a refund for any amount the consumer paid over the $40 coupon subsidy.

a. In this scenario, what will happen to the $40 coupon subsidy? Will the $40 be credited back to the government to use for another coupon?

Answer: NTIA is working with the IBM Team to identify the best way for retailers to account for coupons if a consumer returns a converter box.

b. If the $40 will be credited back to the government to use for another coupon, have NTIA and IBM established a process to facilitate the refund? If no process has been yet been established, do you intend to implement one?

Answer: Procedures will be in place to facilitate the refund so that participation in the coupon program can be maximized.

c: If a consumer returns a converter box purchased in part with a coupon, will the consumer be able to apply for and receive a replacement coupon? If so, have you established a procedure for processing such requests?

Answer: NTIA anticipates that a credit from the retailer to the government for the value of coupons previously redeemed by the retailer for returned CECBs would not trigger a new coupon for the consumer. The consumer is free to make an exchange at the time the CECB is returned pursuant to NTIA's final rule (47 C.F.R. 301.4(f)), which we believe appropriately balances the need to minimize potential waste, fraud, and abuse with the desire to accommodate reasonable consumer behavior (e.g., unintentional consumer mistake, desired a different model).

Hearing on the Status of the DTV Transition – Part 2
Subcommittee on Telecommunications and the Internet
October 17, 2007

Questions for the Record from Representative Lois Capps

Question 1: Up-Selling

a. What recourse will consumers have if they feel they were unnecessarily "up-sold" or misinformed – purposefully or not – by a retailer?

Answer: NTIA and the IBM team will field complaints and consumer concerns about all aspects of the TV Converter Box Coupon Program. Consumers may also report complaints, as is always the case, to Better Business Bureaus or to their State Consumer Affairs or Attorney General's Office. Retailers may be de-certified from the program for, among other things, failing to comply with NTIA's final rule, "or for other actions inconsistent with the Coupon Program." (47 C.F.R. 301.6(b)(3)).

b. How does the Federal Communication Commission (FCC) plan to work with the National Telecommunications and Information Administration (NTIA), which is responsible for the digital-to-analog converter box coupon program, to ensure that retailers participating in the program are providing accurate and complete information and are not "up-selling" consumers?

Answer: The FCC has a pending rulemaking under consideration which includes this subject. Additionally, although NTIA does not have any regulatory authority over retailers participating in the program beyond that noted above, NTIA will continue to consult our colleagues at the FCC on this and other important matters that may affect the level of consumer satisfaction with the Coupon Program. Again, retailers who are subject to frequent complaints from consumers are subject to de-certification from the program.

c. Will NTIA retailer certification include or involve training or best practices on preventing unnecessary or misleading "up-selling"?

Answer: The Final Rule requires retailers to train employees on the purpose and operation of the Coupon Program (47 C.F.R. 301.6(a) (2). Consumers have multiple ways to deal with the conversion. They can choose to subscribe to a pay service, they can purchase a new television with an integrated digital tuner, or they can purchase a converter box that will allow their existing television to continue to work. The training materials will inform the public about their options, not promote a specific choice. The materials are designed to ensure that consumers understand the transition, how they will be affected by it, and what steps they must take to continue to receive television service without incurring unnecessary expenses.

IBM is providing training materials about the operation of the coupon program to retailers. IBM recommends that the materials not include specific information on up-selling because IBM believes it will create a disincentive to retailers to participate. Retailers have urged NTIA to allow them to customize these materials and to integrate them into their own training programs that address the consumer experience in their stores. Retailers are prohibited from false advertising that amounts to "bait and switch," which the Federal Trade Commission characterizes as a situation where the "company has no intention of selling that item, but instead plans to sell a consumer something else, usually at a higher price." http://www.ftc.gov/bcp/conline/pubs/buspubs/ad-faqs.shtm

Question 2: Converter Box Returns: Will the NTIA require that consumers be permitted to return converters to retailers in the event that the consumer feels they no longer want or need the box?

Answer: NTIA's Final Rule permits stores to follow their own policies with regard to returns. In order to minimize waste, fraud, and abuse, our rule states that "consumers may not return a CECB to a retailer for a cash refund for the coupon amount or make an exchange for another item unless it is another CECB." (47 C.F.R. 301.4(f)). Retailers may accept returns and refund the amount of the consumer's co-payment, *i.e.*, any amount paid by the consumer beyond the $40 coupon.

EXHIBIT A
ANALYSIS OF BENEFITS AND COSTS OF THE FINAL RULE FOR THE DIGITAL-TO-ANALOG CONVERTER BOX PROGRAM

INTRODUCTION

This Final Rule creates a program whereby the National Telecommunications and Information Administration (NTIA) can provide coupons for consumers to purchase digital-to-analog converter boxes. NTIA was directed to promulgate these regulations pursuant to the Digital Television Transition and Public Safety Act of 2005 (the "Act").[1]

I. Need for the Proposed Action

Converter boxes are necessary for consumers who wish to continue receiving full-power broadcast programming over the air using analog-only television sets after February 17, 2009 - - the date that the law requires full-power television stations to cease analog broadcasting. Without converter boxes, consumers with analog-only television sets will be unable to view digital television broadcasts over-the-air. To help consumers who wish to continue receiving broadcast programming over the air using analog-only televisions not connected to cable or satellite service, Congress directed NTIA to create a digital-to-analog converter box assistance program. As part of this program, eligible U.S. households may obtain no more than two coupons of $40 each to apply towards the purchase of a digital-to-analog converter box. On July 25, 2006, NTIA published a Notice of Proposed Rule Making (NPRM) and Request for Comment in the *Federal Register* on ways to implement and administer such a program pursuant to the Act.

The Final Rule is necessary to provide the needed procedures for the coupon program. These regulations are necessary to provide notice and direction for consumers, manufacturers, and retailers. With respect to consumers, the Final Rule provides specific requirements for those households that will be eligible to participate in the coupon program. The Final Rule also provides the application process to obtain the coupons, and sets forth proposals for the use, value and restrictions of the coupons. As such, the Final Rule provides clear procedures on how the program will operate.

Further, the Final Rule provides essential information for manufacturers of digital-to-analog converter box, which are not widely available. Because the Act defines limits on the functionality of the converter boxes eligible for the coupon program, manufacturers wishing to participate must construct the boxes based on clearly-defined requirements. The Final Rule provides detailed specifications for converter boxes that NTIA will certify as eligible for purchase with coupons. Moreover, manufacturers need a lead time to develop converter boxes

[1] Title III of the Deficit Reduction Act of 2005, Pub. L. No. 109-171, 120 Stat. 4, 21 (Feb. 8, 2006).

based on the specifications. If these regulations are not released expeditiously, converter boxes may not be available in time for the cut-off date for the digital transition.

Moreover, the Final Rule enumerates the rights and responsibilities of retailers. These regulations supply such information as fraud prevention, acceptance and redemption of coupons, and certification requirements for retailers that want to participate in the program. The success of this program is to a large degree based on retailer participation and cooperation. As such, NTIA must inform retailers of their responsibilities and rights. As importantly, NTIA needs to inform retailers wishing to participate on how their operations should accommodate the requirements of the coupon program.

II. Examination of Alternative Approaches to a Converter Coupon Program

Congress considered alternative approaches to providing a subsidy to consumers who have analog television receivers and rely solely on over-the-air broadcasts. In fact, the Government Accountability Office (GAO) addressed these alternatives in a study that identified several administrative challenges in implementing a subsidy for DTV equipment.[2] GAO identified several administrative options that could be used to provide a government subsidy to assist households in obtaining DTV equipment including a refundable tax credit, government distribution of equipment, a rebate coupon, and a coupon program similar to the one that is the focus of this Final Rule.

A refundable tax credit administered as part of a federal individual income tax is one option for subsidizing converter boxes. GAO presumed that in a DTV equipment program setting, the procedure would entail consumer purchase of an eligible set-top box, and then a claim for reimbursement on the consumer's federal tax returns. Appropriate record-keeping would be needed as documentation for the claim. A Treasury official informed GAO that such a method would impose considerable administrative burdens and costs on the Internal Revenue Service (IRS).[3] The Treasury official also noted that compliance would be a problem and that because of the small amount, it would not be cost-effective for the IRS to assign resources to check compliance. Finally, a refundable tax credit program would require consumers to pay the full price for the converter box at the time of purchase. Although it may not be a problem for some consumers, it may be a hardship on others.

The Government has long distributed resources to needy Americans in certain circumstances, such as emergency food assistance accomplished through soup kitchens. GAO determined that applicability of a government distribution network to a DTV converter box program is possible but would create many challenges to implementers. One significant challenge would be finding locations nationwide for the government to distribute the equipment. Government distribution would not take advantage of distribution and supply chains already in

[2]*See* "Digital Broadcast Television Transition: Several Challenges Could Arise in Administering a Subsidy Program for DTV Equipment," GAO-05-623T (May 26, 2005).

[3]GAO Report at 17.

place by retailers. Government distribution would also limit the ability of consumers to take advantage of the expertise that retailers possess, particularly with respect to electronics.

Another alternative would be to implement a rebate program. Under a rebate program, consumers are charged the full price of an item when purchased and then may seek to receive a rebate through the mail if proper documentation is sent to the correct address. The manufacturer or retailer specifies the documentation, such as the original sales receipt, the UPC code, and a completed rebate slip. Typically, the documentation must be submitted by mail within a specified time period, and the rebate generally arrives no more than 12 weeks later. GAO found that this vehicle might be used in a converter box program. However, GAO noted that the problem with a rebate program is that only about 30 percent of rebates are ever redeemed and no more than 50 percent under a more optimistic scenario.[4] Moreover, 1 percent to 20 percent of rebate applications are rejected because of lack of proper documentation. A rebate program would present the same problem as the refundable tax credit program in that it would require consumers to pay the full price for the converter box at the time of purchase which may present a hardship on some consumers.

Because the Act specifically directs NTIA to develop a coupon program, any of the alternatives discussed above would require a legislative change.

III. Analysis of Benefits and Costs

A. Baseline Analysis: No DTV Converter Box Coupon Program

The cost-benefit analysis draws on the Office of Management and Budget (OMB) Guidelines, which direct agencies to use a pre-statute "baseline." OMB defines such a "baseline" as "the best assessment of the way the world would look absent the proposed regulation."[5] Absent the legislation, consumers would not have the financial benefit that this program provides. Accordingly, consumers would have to pay the full cost of a converter box, subscribe to a cable or satellite service provider or purchase a digital television in order to continue receiving television service after the February 2009 transition date.

This scenario would impose sizable costs on consumers (see appendix A). NTIA has found a range in the surveys of "untethered" televisions (i.e., televisions that are broadcast only, not connected to cable or satellite service) from 32.7 million to 80.0 million (see appendix B). This is the widest likely market for converter boxes.[6] A 2005 National Association of Broadcasters (NAB) survey found 69 million over-the-air television sets among all U.S. television households: 45.5 million sets are in households that are broadcast only; and 23.5

[4] GAO Report at 20.

[5] See OMB *Circular A-4*, dated September 17, 2003.

[6] It is conceivable that consumers with televisions connected to cable or satellite will also want a converter box in the event their cable television was inoperable. No data exist on this possibility.

million broadcast-only sets are in cable and satellite households.[7] The Consumer Electronics Association (CEA) finds that not all untethered television sets are used to watch broadcast television. CEA finds that 32.7 million sets are used to view over-the-air television while the others are used to watch movies via DVD and VCR machines or to play games.[8] Consumers Union/Consumer Federation of America estimated 80 million total untethered television sets, providing the highest estimate of potential demand for the converter box among the major surveys (these reports are attached as Appendix C).[9]

This said, broadcast-only households replace their sets at a rate of 11 percent per year, according to the CEA business analysis unit.[10] After March 1, 2007, virtually all sets sold will include a digital tuner, reducing demand for the Coupon Program: with digital replacements, the range of households in need of a converter will be reduced to between 29.1 and 74.2 million by June 2008. This figure was determined by subtracting the replacement rate for over-the-air households, since it is likely that analog-only households will replace their primary set with a digital set at an 11 percent replacement rate. However, cable and satellite householders are unlikely to replace their second or third television sets (that happen to be broadcast-only) with a digital set. Therefore, we assume a zero percent replacement rate for sets in cable and satellite households.

In addition, consumers have several choices in the marketplace other than the digital-to-analog converter box. As has been suggested, a portion of households with untethered sets will buy a digital television. Others will subscribe to cable or satellite service. A recent survey from ICR (http://www.icrsurvey.com/Centris.aspx) indicated that some households (29.2%) will sign up for cable or satellite service or video from a telco when they were asked what options they would choose to continue to receive television service after the digital transition. Another 9.1% will buy a digital television. 32% of respondents stated they would do nothing; 14% responded that they did not know what choice they would make; and 3.5% refused to answer (see Appendix C for this research study). An NAB study conducted by StrategyOne, released on February 28, 2007, found that 25% of over-the-air-reliant households will apply for the government-issued converter coupon.[11]

NTIA estimates that at most 70% of all untethered households will choose to buy a converter box. We reach this figure by assuming that all respondents who were undecided will

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[7] See National Association of Broadcasters, Comments in the Matter of Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming, MB Docket No. 06-189, November 29, 2006, p. 2.

[8] Consumer Electronics Association, "TV Usage Study," May 2005, p. 7.

[9] Consumers Union/Consumer Federation of America, "Estimating Consumer Costs of a Federally Mandated Digital TV Transition," June 29, 2005.

[10] Telephone conversation between Anthony G. Wilhelm, NTIA, Director, Consumer Education, DTV Converter Box Coupon Program and Matthew C. Swanston, CEA, Director, Business Analysis, February 7, 2007.

[11] *See* Fact Sheets from the February 28, 2007 DTV Transition Coalition press conference (Appendix C and D); *see also* www.dtvtransition.org.

choose the converter box option. We also reduced the percentage of respondents who said they would subscribe to multichannel video programming distribution (MVPD) or purchase a digital television by 25%, assuming some consumers will change their mind once they are made aware of the converter box option. This analysis provides a range of sets requiring a converter box between 20.4 million and 51.9 million. This range constitutes our non-action baseline, since it represents a reasonable projection of the number of sets that would require a box, given known market trends and consumer behavior. If we assume the retail price of a box will be $95,[12] this would constitute a consumer cost of between $1.94 billion and $4.93 billion.

The benefit to these households of acquiring the converter boxes on their own would vary, with greatest value likely accruing to those who would prize retaining access to the emergency broadcast system. Retailers and manufacturers could conceivably lose sales of converter boxes due to reduced demand resulting from higher prices (though revenues would rise or fall depending on the applicable price elasticity of demand). On the other hand, retailers could use the digital transition as an opportunity to convince consumers to purchase digital televisions as opposed to converter boxes. CEA reports that sales of DTV equipment are rising rapidly, with unit sales of DTVs surpassing analog sales by a wide margin in 2006 (see Table 1).

Table 1: Unit Sales of Televisions (millions)[13]

	2002	2003	2004	2005	2006e	2007p	2008p	2009p	2010p
Analog TVs	28.2	25.6	23.8	20.4	10.9	2.5	.2	0	0
Digital TVs	4.1	5.5	8.0	11.3	23.9	29.2	33.4	35.2	36.4
TOTAL TVs	32.4	31.1	31.8	31.8	34.8	31.7	33.6	35.2	36.4

Moreover, the lack of a coupon program's educational activities could also serve to depress demand as some potential consumers remain uninformed.

B. Alternative Approaches: Operating a DTV Converter Box Coupon Program

This section examines the costs and benefits of the legislatively-mandated DTV converter box coupon program that is intended to smooth the transition.

1. <u>Subsidy Costs: GAO Estimate</u>

In 2005, GAO provided Congressional testimony on the potential cost of providing a

[12] A converter box is currently available online for $95 at http://www.ecost.com/ecost/shop/detail.asp?dpno=4973305.

[13] Figures are from an unpublished CEA report, "22006 Digital Television Summary Statistics," updated January 22, 2007, and available in Appendix C.

subsidy to consumers for the purchase of converter boxes to accelerate the transition from analog to digital broadcast television.[14] GAO estimated that a subsidy would cost from about $460 million to about $2 billion depending on the price of a converter box and whether a means test were employed.

2. Subsidy Costs: Congressional Budget Office Estimate

With respect to the converter box program, CBO estimates that the value of coupons redeemed under this program would total about $1.4 billion, slightly less than the $1.5 billion authorized by the Act. The Act is part of the Deficit Reduction Act of 2005 which the Congressional Budget Office states would reduce direct spending by about $39 billion over the 2006-2010 period and by approximately $99 billion over the 2006-2015 period. With respect to Title II of the Act, CBO estimates that enacting this title would result in net savings of $7.4 billion over the 2006-2010 period and $7.6 billion over the 2006-2015 period (see table attached).[15]

3. Government Administrative Costs: NTIA Estimate

The Act places a ceiling on the maximum amount that the government can spend on administrative costs to run the coupon program. Specifically, the Act provides that NTIA can spend no more than $100 million on administrative expenses to run the program if coupon payments do not exceed $990 million. If, however, NTIA certifies to Congress that the $990 million is insufficient to fulfill the coupon request, NTIA may spend an additional $60 million (a total of $160 million) to run a program with coupon payments that do not exceed $1.34 billion.

Besides promulgating the regulations to establish the parameters of the coupon program, administrative costs would consist of those costs necessary to process applications, distribute coupons, and redeem coupons. The Act also states that NTIA may spend no more than $5 million for consumer education.

Based on NTIA's Independent Government Estimate (IGE) and an analysis of the Request for Information (RFI) responses from industry, it is reasonable to assume that NTIA can satisfactorily administer the Coupon Program with the funds available.

4. Consumer Costs

The costs to consumers after the implementation of this program will certainly be less than if the coupon program was never instituted. Estimates of a converter box as described in the

[14] See "Digital Broadcast Television Transition: Estimated Cost of Supporting Set-Top Boxes to Help Advance the DTV Transition," GAO-05-258T (February 17, 2005).

[15] See Table 10, CBO Cost Estimate, S.1932 (Deficit Reduction Act of 2005), issued January 27, 2006.

Act and as defined in the Final Rule range from $50 to $70.[16] Using the $40 coupon, consumers can expect to pay between $10 and $30 for each converter box purchased. Households may request a maximum of two coupons. Without the coupons, consumers will have to either pay the $50–$70 non-subsidized converter boxes, or buy new digital television sets in order to receive over-the-air signals. Part of this saving would be attributable to the coupons' effects, but would benefit from burgeoning competition for selling the boxes and possibly economies of scale.[17]

Congress created a program that militates against impulse buying.[18] Therefore, households must request coupons and redeem them at certified retail stores or through online retailers. The coupon industry has provided NTIA with data to suggest that not all consumers use coupons (76% of consumers use coupons). In addition, less than 1% of cents-off coupons (e.g., grocery coupons) are actually redeemed. The coupon distribution methodology closest to NTIA's approach is the "consumer relations" coupon. This is the type of coupon that customers would call a toll-free number and request if they are unsatisfied with a product. While this coupon type has a relatively high redemption rate, it is still in single digits (7%). This redemption rate is superseded only by coupons that are instantly redeemable, such as those present at point of sale (see Appendix C for coupon-related statistics).

None of these examples of private coupon programs, however, may reflect the redemption rate of this coupon program, as the coupons will cover most of the cost of a product which may be considered essential by some consumers. Assuming a conservative 50% redemption rate, this would suggest a demand for the coupon program ranging between 10.2 million and 26.0 million coupons and costing between $408 million and $1.04 billion. At $50–$67 per box,[19] the likely price of a coupon-eligible converter in a robust market, this would amount to a consumer impact between $102 million and $702.0 million.

5. Perceived and Net Benefits of the DTV Coupon Program

The coupon program is a part of the transition to digital broadcasting which itself will free up spectrum and confer decided advantages on Americans.
In a macroeconomic sense, the core benefits of the DTV transition program include a spur to

[16] See Dr. Kim, LG Electronics demonstration, September 15, 2005 press release.

[17] The cost to consumers of purchasing subsidized converter boxes would be much lower than that experienced in a "baseline" no-coupon scenario (see above).

[18] Deficit Reduction Act of 2005, Conference Report, at 202, says "the coupon structure of the program and requiring consumers to make affirmative requests for coupons takes into account that many consumers will neither need nor want a subsidized converter box. By contrast, if converter-boxes were made directly available at subsidized rates at stores, or coupons were automatically sent to every U.S. household, impulse participation by consumers who do not really need either a converter-box or a subsidy would cause the program to run out of funds before consumers who really do need a subsidized box avail themselves of the program."

[19] See testimony of Leonard H. Roberts, Chairman and Chief Executive Officer, RadioShack Corporation, Before the Subcommittee on Telecommunications and the Internet, House Energy and Commerce Committee, March 10, 2005.

economic growth and employment, improved public safety, and boosting government revenues attributable to auctions. At its essence, the freeing-up of new spectrum to fuel wireless technologies and innovations in a competitive setting will redound to the benefit of all sectors of the economy. The wireless sector has experienced tremendous growth in recent years. In 2000, wireless revenues in the United States equaled $52.5 billion; by 2005, the figure had grown by more than 116 percent, to $113.5 billion.[20] Over the same period, the number of subscribers increased by almost 91 percent, from 109.5 million to 208.8 million.[21] Wireless penetration today stands at more than 69 percent of the total U.S. population.[22] From its genesis in the 1980s, the wireless industry has generated a cumulative investment of $119.3 billion through 2005, with $25.3 billion expended in 2005 alone.[23] Because the program anticipates a co-payment from consumers for the purchase of converter boxes, and because some consumers may decide to purchase digital televisions as opposed to converter boxes, the electronic retail and manufacturer sectors -- and the country -- will also enjoy economic gains as a result of this program.

Moreover, almost all (97%) Americans can choose from three wireless service providers in their respective counties, and many have four or five.[24] Ovum estimated that the wireless industry contributed $92 billion to the U.S. economy in 2004, and that it is poised to create up to three million jobs and add $450 billion to GDP over 10 years.[25] If the U.S. telecommunications wireless industry were a country, its economy would rank as the 46th largest nation in the world, based on GDP.[26] An FCC auction of 90 MHz of advanced wireless spectrum in the 1710-1755 and 2110-2155 bands in August 2006 that totaled almost $14 billion promises to meet significant demand in urban and rural areas.[27] Industry observers anticipate that the digital television (DTV) transition in the United States will bring more of the same. Some 84 MHz corresponding to TV Channels 52-69 promises to generate $8- $15 billion in auction revenues as advanced wireless

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[20] Source: Cellular Telecommunications Industry Association (CTIA). http://files.ctia.org/img/survey/2005_endyear/slides/EndYear_1.jpg

[21] *Id.*

[22] CTIA, "Wireless Quick Facts," April 2006. http://www.ctia.org/research_statistics/index.cfm

[23] "Wireless Quick Facts," *op cit.*

[24] FCC, *Tenth Annual Report and Analysis of Competitive Market Conditions with Respect to Commercial Mobile Services*, released September 30, 2005, para.205; Appendix A, Table 6. Approximately 93 percent of the U.S. population continues to live in counties with four or more mobile telephone operators competing to offer service, and 87 percent of the U.S. population continues to live in counties with five or more competing mobile telephone operators.

[25] Ovum, *The Impact of the US Wireless Telecom Industry on the US Economy*, September 2005, p.3.

[26] *Id.*

[27] "Court Kills Council Tree Bid to Stay AWS Auction," *Communications Daily,* pp. 1–2.

(broadband) will come to the marketplace in a significant way.[28]

B. Analysis of the Benefits and Costs of Identified Alternatives

The above "macroeconomic" calculus represents one assessment of the DTV transition program. Section II of this Analysis provides a brief analysis of the costs and benefits of alternative subsidy programs not related to the Final Rule. Complementing this, the ensuing analysis discusses the associated benefits and costs evaluating options related to specific implementation details of the coupon program as set forth in the Final Rule.

The Final Rule provides specificity to the basic digital-to-analog converter box program adopted by Congress. This section examines alternatives considered in the Final Rule in the categories of coupons, applications, and certification, with fraud a cross-cutting issue.

Coupons

Setting up the structure and conduct of the coupon program is basic to achieving the statute's intent. NTIA will permit open eligibility while the Initial Funds are available (i.e., until coupons valuing $890,000,000 have been redeemed, and issued but not expired, in accordance with Section 3005(c)(2)(B) of the Act.)[29] The Act permits funding of the program to increase by $510,000,000, to a total $1,500,000,000, upon a certification to Congress that the initial allocated amount of $990,000,000 is insufficient to fulfill coupon requests.[30] Once such Contingent Funds are available for the Coupon Program, the eligibility for those coupons provided from Contingent Funds will be limited to over-the-air-only television households ("Contingent Period"). Consumers requesting those coupons during the Contingent Period must certify to NTIA that they do not subscribe to a cable or satellite service. NTIA makes this decision balancing the demand uncertainty and funding limitations against a real concern that over-the-air reliant households will lose total access to television broadcasts after the transition date.

Limited funds for program administration dictate the need for good management, criteria such as efficiency, effective tracking and accountability, ease of customer understanding and administration, and fairness. Several features for the program attempt to meet these goals. First, electronically trackable coupons will be used to enable prompt verification, redemption and retailer payment. Second, an expiration date will be visible on each coupon. The expiration date will be 90 days after the coupon's issuance date, which will be the date upon which the coupon is mailed. This measure will promote prudent expenditure of program monies while instituting reasonable controls.

The Final Rule requires identifying unique numbers on the coupons to facilitate coupon

[28] Jeremy Pelofsky, "Media firms queue up for U.S. wireless auction," Reuters, July 11, 2006; Drew Clark, "Estimates vary on value of spectrum," National Journal, August 2, 2005. 24 MHz will be set aside for public safety use.

[29] *See supra* para. 2.

[30] See Section 3005(c)(3)(ii) of the Act.

tracking and redemption and to combat counterfeiting and fraud. The Rule also limits a coupon holder to an even exchange of one certified converter box for another to help prevent fraud. Therefore, the Final Rule would prohibit consumers from returning a coupon-subsidized converter box to a retailer for a cash refund or credit towards the purchase of a different item.

The Final Rule also requires the use of an "electronic coupon card" on which the $40 value can be credited towards the purchase of a converter box. Coupons with electronically encoded information will help the program run more efficiently and permit the electronic tracking of transactions. It will also reduce the opportunity for fraud.

Application Process

The Act specifies that a household may obtain no more than two coupons upon request submitted between January 1, 2008 through March 31, 2009.[31] Consumers must apply for coupons subject to the eligibility requirements described in NTIA's Final Rule by providing limited information, including name, address, and the number of required coupons not to exceed two. Recognizing that consumers must affirmatively request coupons, NTIA has attempted to minimize the burden on consumers by proposing a simple application process that provides sufficient information to determine their eligibility to receive coupons. NTIA plans to facilitate consumers' participation in the DTV coupon program by allowing consumers to request such forms by mail and telephone and to solicit, submit, and track applications through the Internet. These measures would promote ease of use, thereby ameliorating administrative costs.

The Final Rule would award only a single coupon to consumers who fail to specify the number of coupons their household requires. This significant feature helps to maximize the benefits of the coupon program by seeking to restrict coupons to applicant households' stated need, and to help hold down the total costs of producing and distributing coupons.

NTIA intends to prevent waste, fraud, and abuse by employing a computer-based application system that will deny duplicate coupon requests and detect other potential abuses of the application process.

Certification

The Final Rule sets forth simple certification processes for retailers and manufacturers. For retailers, they must self-certify that they: (1) have been engaged in the consumer electronics retail business for at least one year; (2) have completed a Central Contractor Registration; (3) have in place systems or procedures that can be easily audited as well as systems that can provide adequate data to minimize fraud and abuse in retail redemption and government payment for coupons; (4) agree to have coupons box sales audited at any time during the term of participation in the coupon program by the U. S. Government or an independent auditor at no expense to the retailer; (5) will provide NTIA electronically with redemption information and payment receipts related to coupons used in the purchase of converter boxes, specifically tracking each serialized coupon by number with a corresponding converter box purchase; (6)

[31] See Sec. 3005(c)(1)(A).

agree to accept coupons and receive payments resulting from authorized purchases made for coupon-eligible converter boxes. By requiring the retailers to register in the CCR, NTIA is utilizing a Federal government electronic system that is already in existence and is utilized to make swift payments to vendors. The decision to include this process in the Final Rule responds to the needs of retailers to be reimbursed for the coupons as on a commercially reasonable basis. Moreover, self certification will save both time and resources and give the program the benefit of the retailers' resources and experience in marketing and selling electronic devices. These steps will lead to cost savings in terms of efficiency gains and opportunity costs avoided.

NTIA advances this Final Rule to increase the attractiveness of the program for retailers and encourage their participation. These policies will give retailers confidence that their coupon reimbursements will be paid and disputes resolved quickly. By promoting widespread retailer acceptance of the program, consumers should be able to easily find a retailer who will redeem coupons for converter box purchases, increasing convenience and saving consumers time.

As part of the coupon program, manufacturers that wish to participate in the program must submit a notice of intent to the NTIA at least three months prior to submitting test results and sample models of converter boxes. The notice shall include a brief description of the proposed converter box, including permitted as well as required features, and the date which the proposed converter box is expected to be available for testing. The notice of intent shall supply the name, title, and address and phone number of an individual responsible for the manufacturer's submission. The manufacturer is then required to submit the converter box and the test results to NTIA for verification. NTIA has entered into an agreement with the FCC by which the FCC may test manufacturers boxes and review test results, if requested by NTIA. This process streamlines the process for certifying converter boxes because NTIA will use the FCC since the Commission has an established laboratory experienced in verifying test results for similar products. Again, self certification will save both time and resources and give the program the benefit of the manufacturers' resources and experience in developing such devices. The cost savings are likely to be sizable in terms of efficiency gains and opportunity costs avoided.

Converter box designs incorporating various combinations of features (e.g., remote controls, advance programming guides, many inputs/outputs) could be developed for the coupon program. The converter box design rules will assist manufacturers in converging rapidly on suitable designs so that they can develop, market, and qualify converter boxes for the program in the short period available (approximately one year) to accomplish these milestones. The cost of delaying the availability of qualified converter boxes will be large, severely constraining the ability of the coupon program to promote the full distribution of these boxes to consumers by the end of the DTV transition.

3. Summary Analysis

The coupon program established by statute and implemented by this Final Rule is a DTV subsidy program, and as GAO explicitly recognized in its testimony to Congress, "it is difficult

to measure specific benefits and costs of undertaking a specific DTV subsidy program."[32] Moreover, "it is difficult to evaluate the suitability of subsidizing the costs imposed by this particular government policy relative to other policies that have also imposed costs on citizens."[33] Notwithstanding, we believe that the transition to digital TV broadcasting, of which the coupon program is a significant element, will confer greater economic benefits than costs – net benefits – to the American people.

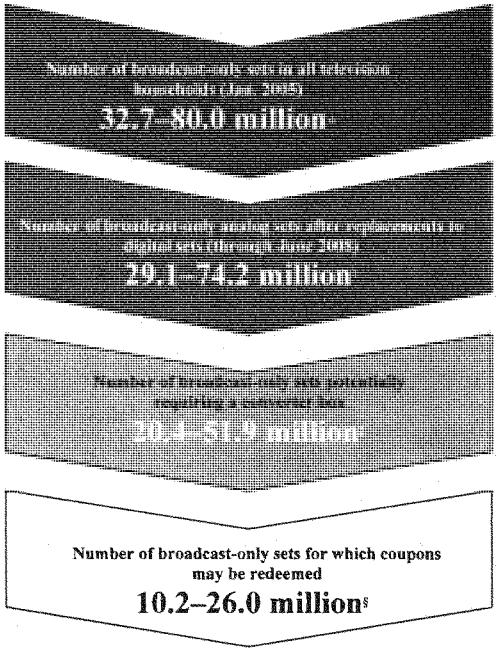
[32] *See* "Digital Broadcast Television Transition: Several Challenges Could Arise in Administering a Subsidy Program for DTV Equipment," GAO-05-623T (May 26, 2005).
[33] GAO Report at 2.

TABLE 10. ESTIMATED BUDGETARY EFFECTS OF TITLE III OF S. 1932

	By Fiscal Year, in Millions of Dollars											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-2010	2006-2015
CHANGES IN DIRECT SPENDING												
Net Change in Spectrum Auction Proceeds												
Estimated Budget Authority	0	1,250	1,550	-12,650	-150	-150	-150	0	0	0	-10,000	-10,300
Estimated Outlays	0	1,250	1,550	-12,650	-150	-150	-150	0	0	0	-10,000	-10,300
Supplemental License Fees												
Budget Authority	-10	0	0	0	0	0	0	0	0	0	-10	-10
Estimated Outlays	-10	0	0	0	0	0	0	0	0	0	-10	-10
Converter Box Subsidies												
Budget Authority	0	1,500	0	0	0	0	0	0	0	0	1,500	1,500
Estimated Outlays	0	40	505	850	5	0	0	0	0	0	1,400	1,400
Interoperability Grants												
Budget Authority	0	1,000	0	0	0	0	0	0	0	0	1,000	1,000
Estimated Outlays	0	100	370	310	220	0	0	0	0	0	1,000	1,000
NYC Television Reimbursement												
Budget Authority	0	15	15	0	0	0	0	0	0	0	30	30
Estimated Outlays	0	15	15	0	0	0	0	0	0	0	30	30
LPTV Digital-to-Analog Devices												
Budget Authority	0	10	0	0	0	0	0	0	0	0	10	10
Estimated Outlays	0	0	5	5	0	0	0	0	0	0	10	10
LPTV and Translator Upgrade												
Budget Authority	0	0	0	65	0	0	0	0	0	0	65	65
Estimated Outlays	0	0	0	8	30	14	13	0	0	0	38	65
National Alert System												
Budget Authority	0	0	0	156	0	0	0	0	0	0	156	156
Estimated Outlays	0	0	0	10	73	73	0	0	0	0	83	156
E-911												
Budget Authority	0	0	0	44	0	0	0	0	0	0	44	44
Estimated Outlays	0	0	0	18	18	8	0	0	0	0	36	44
Essential Air Service												
Estimated Budget Authority	0	30	0	0	0	0	0	0	0	0	30	30
Estimated Outlays	0	15	15	0	0	0	0	0	0	0	30	30
Total Estimated Changes												
Estimated Budget Authority	-10	3,805	1,565	-12,385	-150	-150	-150	0	0	0	-7,175	-7,475
Estimated Outlays	-10	1,420	2,460	-11,449	196	-55	-137	0	0	0	-7,383	-7,575
Memorandum:												
Proceeds of Spectrum Auctions Under CBO's 2005 March Baseline	0	-7,605	-7,650	0	0	0	0	0	0	0	-15,255	-15,255

NOTE: Components may not sum to totals because of rounding.

Appendix A: Potential Demand for the Digital-to-Analog Converter Box



* The range is derived from the highest and lowest figures known of the number of "untethered" televisions in households. The Consumer Electronics Association in its "TV Usage Study," May 2005, p. 7, provides the low figure, stating that 32.7 million OTA sets are actually *used for OTA viewing*. Other OTA sets, according to CEA, are hooked up with a DVD player, VCR or video game. The highest estimate, 80 million sets, comes from Consumers Union/Consumer Federation of America, "Estimating Consumer Costs of a Federally Mandated Digital TV Transition," June 29, 2005. Between these are several studies, including the National Association of Broadcasters, Comments in the Matter of Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming, MB Docket No. 06-189, November 29, 2006, p. 2, in which they estimate 69 million broadcast-only sets. Thus, NTIA provides a range of the potential market today for a converter box between 32.7 million and 80.0 million.

† Business analysts at CEA tell us there is an 11% annual replacement rate for televisions in OTA households. Given virtually all televisions sold after March 1, 2007, will be digital sets, we can project that by the time the Coupon Program is fully operational (6/08), the potential market for a converter box will be between 29.1 and 74.2 million sets.

‡ ICR found that 29.2% of households say they will subscribe to cable or satellite service after the transition. Another 9.1% will buy a digital television NTIA conservatively assumes that some of these householders (roughly 25%) will choose the converter box option – as well as all other households, including the 49.5% of consumers who are uncertain about what they will do. On Feb. 28, 2007, NTIA released results from a survey stating that 25% of OTA households will choose the government-issued coupon option. This number will clearly rise with consumer education but NTIA does not believe, for the reasons stated above, that demand will exceed 70% of all untethered sets. This calculation gives NTIA a baseline market of between 20.4 and 51.9 million boxes.

§ Statistics from the coupon industry reveal that 24% of consumers do not use coupons. In addition, the coupon redemption rate for cents-off coupons is less than 1% overall. The redemption rate for consumers requesting coupons is higher but still in single digits (7%). Redemption rates for coupons with a high face value are also low due because they are generally redeemable for higher priced products. Given these trends, we conservatively estimate that 50% of households choosing the converter box option will redeem coupons. This amounts to projected demand for the coupon program at between 10.2 million and 26.0 million sets.

Appendix B: Data on TV Households (in millions)

Industry Sources	Date	Total No. of TV HHs	Total No. of OTA HHs	Total No. of TVs	Total Broadcast-only TVs
1. Cable Television Advertising Bureau	2004/2005	109.6	16		
2. Consumer Electronics Association (CEA)	January-07	111	12.21	285	32.7
3. Consumers Union	June-05		16		80
4. ICR CENTRIS Survey	November-06		21		
5. National Association of Broadcasters (NAB)	November-06, February-07	110.2	18.9	305.5	69
6. Nat'l Cable TV Association (citing Kagan Research)	September-06	111.3			
7. Television Bureau of Advertising	June-05	111.4		310.8	
Government Sources					
8. From Deficit Reduction Act	June-04	108.41	16.11		
9. Government Accountability Office	February-05		20.8		

Sources:

1 Cable Television Advertising Bureau at http://www.onetvworld.org/.

2. Consumer Electronics Association, unpublished market research, August 2006, updated January 2007. Also see, CEA "TV Usage Study," May 2008 P. 5

3. Consumers Union/Consumer Federation of America, "Estimating Consumer Costs of a Federally Mandated Digital TV Transition," June 19, 2005 (CU/CFA, Washington, D.C., 2005), p. 1

4. ICR CENTRIS Survey, *Subscriber Bulletin 2006-11*, unpublished.

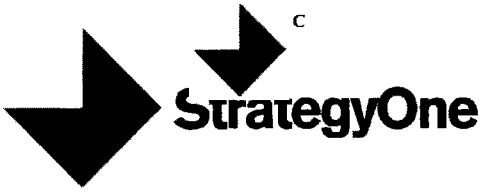
5. Comments of the National Association of Broadcasters in the Matter of Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming, MB Docket No. 06-189, 29 November 2006, p. 2. Also see Fact Sheet from the February 28, 2007 DTV Coalition press conference.

6. See http://www.ncta.com/ContentView.aspx?contentId=54.

7. Television Bureau of Advertising, *TVB Online* at http://www.tvb.org [Source: Nielsen Media Research]

8. Numbers quoted in DRA Committee Report come from the Federal Communications Commission, MB Docket No. 04-210 ("Seeking Comment on Over-the-Air Broadcast Television Viewers"), 12 July 2004.

9. United States Government Accountability Office, *Digital Broadcast Television Transition: Estimated Cost of Supporting Set-Top Boxes to Help Advance the DTV Transition* (GAO, Washington, D.C.: 2005), p. 3.



Date: February 27, 2007
To: Jonathan Collegio, NAB
From: Robert Moran, StrategyOne
David Cantor, Glover Park Group
Re: Research Among "Over the Air" Households

This short fact sheet covers the key findings from the three (3) waves of research that we have conducted:

Wave 1[1] National Survey Questions Among American Adults. (1/25-28/2007)
N=1000, Data collected by telephone via RDD (random digit dial) method
Margin of error = ±3.1% in 95 out of 100 cases

Wave 2 National Survey Questions Among American Adults. (2/8-11/2007)
N=1000, Data collected by telephone via RDD (random digit dial) method
Margin of error = ±3.1% in 95 out of 100 cases

Wave 3[2] National Survey of Primary OTA Americans. (2/15-22/2007)
N=400, Data collected by telephone via RDD (random digit dial) method
Margin of error = ±4.9% in 95 out of 100 cases

National Survey of Households with Untethered Sets. (2/15-22/2007)
N=400, Data collected by telephone via RDD (random digit dial) method
Margin of error = ±4.9% in 95 out of 100 cases

Defining the "Over the Air" Population:
For this research, OTA households were broken into two (2) categories, primary OTA households and households with untethered sets. Primary OTA households have at least one working television that is not connected to cable or satellite service. Households with untethered sets are connected to cable or satellite service, but have at least one television that is not connected to this service.

Size of the "Over the Air" Population:
Based on our national survey research, the percentage of primary OTA ("over the air") households and households with untethered sets are as follows:

Group	% of Population	Estimated Households[3]
Primary OTA	17%	18,885,405[4]
HHs Untethered Sets	28%	31,105,372

[1] Wave 1 and wave 2 data was collected via Opinion Research Corporation's weekly national survey.
[2] Wave 3 research among primary OTA ("over the air") households and households with untethered sets was conducted jointly by David Cantor of the Glover Park Group and Robert Moran of StrategyOne. Data was collected via Venture Data.
[3] Based on 111,090,617 American households estimated by US Census Bureau in their 2005 American Community survey.
[4] Other groups, such as APTS, put this number at 21,000,000 households, but all estimates seem to track closely.

Awareness of Conversion to Digital Broadcasting:
There is some awareness of the move to digital broadcasting, but very little awareness of the February 17, 2009 conversion date.

- Our February 8-11, 2007 survey research suggests that 41% of primary OTA households and 35% of households with untethered sets are aware of the transition to digital broadcasting.
- Our more detailed February 15-22, 2007 research among these audiences suggests that awareness levels are 43% and 46% respectively.
- But, (a) open ended comments suggest that there is very little depth of knowledge among those who claim awareness of the issue, and (b) there is almost no awareness of the actual date that all broadcasting goes digital. In our February 8-11, 2007 research not one primary OTA household could correctly guess the digital broadcasting conversion date. And, in our detailed research among each group, only 1.25% of primary OTA households and only .25% of households with untethered sets could accurately state the year and month (February, 2009) that the conversion to digital would take place. Only 9% of primary OTA households and only 7% of households with untethered sets could guess the correct year.

Trusted Information Sources:
The top sources of information for primary OTA households and households with untethered sets, the sources they would go to first to learn more about this issue and how to prepare, are the Internet and merchants for primary OTA and the Internet and cable television operators for households with untethered sets.

How will "over the air" households respond?
Additionally, our research asked primary OTA households and households with untethered sets how they would respond and segmented them accordingly:

Options	Primary OTA	HHs with Untethered Sets
Apply for a forty dollar, government-issued coupon that can be used toward the purchase of a digital-to-analog converter box, use the coupon to reduce the cost of the converter box, and install it on your analog television. Any American household can receive this coupon and it is given out on a first come, first served basis.	25%	15%
Purchase a digital-to-analog converter box for approximately fifty to seventy dollars and install it on your analog television.	12%	8%
Subscribe to cable or satellite television. (Primary OTA Option) Attach all of your televisions to your cable or satellite service. (Untethered Set Option)	14%	27%
Purchase a new, digital television with an average cost of approximately three hundred dollars.	22%	15%
Go without television.	18%	NA
Wait and see. (Primary OTA Option) Do nothing. (Untethered Set Option)	6%	25%
Unsure	3%	11%

APPENDIX D

OTA Households Response to Options

Television broadcasters currently broadcast their programming through analog signals.

This is the way that television has traditionally been broadcast. In addition to analog, some broadcast a digital signal. Americans can watch these digital broadcasts today by either owning a digital television or subscribing to cable or satellite television.

Digital broadcasting allows television stations to broadcast more than one channel at a time. This increases the number of channels available over the air, for free, and gives consumers more choices. Digital broadcasting also provides a clearer picture, better sound quality, and the capability to provide high definition programming, or HDTV.

By law, all American television stations will switch their broadcasting from analog to digital on February 17th, 2009. Analog television sets that are not connected to cable or satellite and do not have a converter box will not receive ANY television signal.

In preparation for the switch to digital television, people that do not have a digital television or have a television that is not attached to cable or satellite service have a number of options.

Options	**Primary OTA**	**HH's with both paid TV services and untethered Sets**
Apply for a forty dollar, government-issued coupon that can be used toward the purchase of a digital-to-analog converter box, use the coupon to reduce the cost of the converter box, and install it on your analog television. Any American household can receive this coupon and it is given out on a first come, first served basis.	25%	15%
Purchase a digital-to-analog converter box for approximately fifty to seventy dollars and install it on your analog television.	12%	8%
Subscribe to cable or satellite television / Attach all of your televisions to your cable or satellite service.	14%	27%
Purchase a new, digital television with an average cost of approximately three hundred dollars.	22%	15%
Go without television.	18%	NA
Wait and see. / Do nothing.	6%	25%
Unsure	3%	11%

HENRY A. WAXMAN, CALIFORNIA
EDWARD J. MARKEY, MASSACHUSETTS
RICK BOUCHER, VIRGINIA
EDOLPHUS TOWNS, NEW YORK
FRANK PALLONE, Jr., NEW JERSEY
BART GORDON, TENNESSEE
BOBBY L. RUSH, ILLINOIS
ANNA G. ESHOO, CALIFORNIA
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CHARLIE MELANCON, LOUISIANA
JOHN BARROW, GEORGIA
BARON P. HILL, INDIANA

DENNIS B. FITZGIBBONS, CHIEF OF STAFF
GREGG A. ROTHSCHILD, CHIEF COUNSEL

ONE HUNDRED TENTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515–6115

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MARSHA BLACKBURN, TENNESSEE

November 7, 2007

The Honorable Kevin J. Martin
Chairman
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Dear Mr. Chairman:

Thank you for appearing before the Subcommittee on Telecommunications and the Internet on Wednesday, October 17, 2007, at the hearing entitled "Status of the DTV Transition - Part 2." We appreciate the time and effort you gave as a witness before the Subcommittee.

Under the Rules of the Committee on Energy and Commerce, the hearing record remains open to permit Members to submit additional questions to the witnesses. Attached are questions directed to you from certain Members of the Committee. In preparing your answers to these questions, please address your response to the Members who have submitted the questions and include the text of the Member's question along with your response. Please begin the responses to each Member on a new page.

To facilitate the printing of the hearing record, your responses to these questions should be received no later than the close of business **Friday, November 16, 2007**. Your written responses should be delivered to **316 Ford House Office Building** and faxed to **202-225-5288** (Please put to the attention of Mr. Philip Murphy, Staff Assistant with the Committee). An electronic version of your response should also be sent by e-mail to Mr. Murphy at **phil.murphy@mail.house.gov** in a single Word formatted document.

Thank you for your prompt attention to this request. If you need additional information or have other questions, please contact Amy Levine, Senior Counsel, at (202) 226-2424.

Sincerely,

JOHN D. DINGELL
CHAIRMAN

Attachment

cc: The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

The Honorable Edward J. Markey, Chairman
Subcommittee on Telecommunications and the Internet

The Honorable Fred Upton, Ranking Member
Subcommittee on Telecommunications and the Internet

The Honorable Bart Stupak, Member
Subcommittee on Telecommunications and the Internet

The Honorable Lois Capps, Member
Subcommittee on Telecommunications and the Internet

The Honorable John D. Dingell

1. *Funding for the Converter Box Coupon Program*

   During the hearing, I asked whether you agreed with Mr. Kneuer's assessment that enough funding exists to accommodate every request for a coupon. You responded that you are "not as confident in that [as Mr. Kneuer]. I would have to look at all of the figures that they have seen. Because, as I understand it, there is a cap on the amount of money the program can provide, and the demand could exceed that cap. So, yes, I think they could exceed that cap." Congress assigned responsibility for the coupon program to NTIA. Your answer, however, suggests to me that the FCC and NTIA are not working together to facilitate a smooth transition. As the agency most responsible for educating consumers about the transition, do you think it is important that the FCC know whether the coupon program is adequately funded? Has the FCC reached out to NTIA to coordinate consumer education messages, including messages about the coupon program? Are there other ways the FCC and NTIA could work together to better ensure a smooth transition? If yes, please provide details.

2. *FCC's DTV Relationships*

   Other than the NTIA, please list and describe the working relationships that the FCC has with other governmental entities with respect to facilitating the DTV transition. Please provide to the Committee copies of any agreements and of any correspondence discussing such working relationships.

The Honorable Bart Stupak

1. *Small Cable Operators*

The Federal Communications Commission (FCC) reaffirmed the requirement that cable systems must carry high definition (HD) broadcast signals in HD format and reaffirmed its current material degradation standard. These requirements state that digital signals must be made available to digital customers in digital format. Therefore, small cable operators will continue to have both analog and digital customers due to financial constraints resulting in an inability to convert to an all HD digital system.

a. Will FCC rules effectively require these operators to set aside more spectrum capacity for "must carry" than they do today in order to provide digital signals in digital format while also making the signal viewable for their analog customers?

b. In order to transmit a viewable signal to their analog and digital customers, will small cable operators have to transmit the broadcast signal in analog and digital format simultaneously?

Mr. Martin, you stated that in the next six months a Further Notice of Proposed Rule Making will address if small cable companies with capacity of 552 megahertz or less will require a different subset of rules for HD compliance.

c. What steps is the Commission taking over the next six months to determine whether a different set of rules is needed for small cable companies?

d. What assistance will the Commission provide to small cable operators that file for a waiver of the HD TV requirement?

The Honorable Lois Capps

1. *Consumer Awareness*

   a. To date, how has the FCC directed consumers to visit its Digital Television (DTV) website and toll-free consumer hotline, which also includes information about the DTV transition? Is the FCC measuring the extent to which consumers are utilizing the FCC DTV website (i.e. keeping track of the number of visitors) and the hotline?

   b. More broadly, does the FCC have plans to conduct periodic surveys of consumer awareness about the DTV transition? If so, when and how will these surveys be conducted? Will the FCC report the results of these surveys to Congress?

2. *Permitting*

   Some broadcasters are experiencing difficulties receiving the appropriate permits from State and Federal Government agencies to construct their digital facilities. What has the FCC done to ensure that other government agencies are aware of the transition, and are working with broadcasters to facilitate a successful digital transition?

3. *Converter Box Functionality*

   a. In his testimony, Chairman Martin stated that the FCC recently tested many digital television devices and found that they lacked the V-chip functionality that is required by the FCC's rules. Chairman Martin testified that the FCC is considering levying approximately $11 million in fines against consumer electronics manufacturers for V-chip non-compliance.

   b. Another functionality that the FCC requires in digital television devices is the ability to support closed captioning for the deaf or hearing impaired. One of our witnesses, Mr. Claude Stout, testified that many digital televisions and other consumer electronics devices on the market today lack closed captioning capability, or provide capability that is inadequate and confusing. Does the FCC plan to test digital televisions and other devices to ensure that they are meeting the FCC's closed captioning requirements, similar to its efforts to enforce the V-chip rules?

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

The Honorable John D. Dingell
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Dingell:

Please find enclosed my responses to the post-hearing questions submitted by the Subcommittee on Telecommunications and the Internet.

Please contact me if I can be of any further assistance.

Sincerely,

Kevin J. Martin
Chairman

cc: The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

The Honorable Edward J. Markey, Chairman
Subcommittee on Telecommunications and the Internet

The Honorable Bart Stupak, Member
Subcommittee on Telecommunications and the Internet

The Honorable Lois Capps, Member
Subcommittee on Telecommunications and the Internet

SUBCOMMITTEE ON TELECOMMUNICATIONS AND THE INTERNET

HEARING

ON THE

STATUS OF THE DTV TRANSITION-PART 2

Questions for the Record

for

Federal Communications Commission
Chairman Kevin Martin

October 17, 2007

Please return to the Subcommittee on Telecommunications and the Internet
by November 30, 2007

Questions for the Record for Federal Communications Commission
Chairman Kevin Martin
Submitted by The Honorable John D. Dingell

1. ***Funding for the Converter Box Coupon Program***

During the hearing, I asked whether you agreed with Mr. Kneuer's assessment that enough funding exists to accommodate every request for a coupon. You responded that you are "not as confident in that [as Mr. Kneuer]. I would have to look at all of the figures that they have seen. Because, as I understand it, there is a cap on the amount of money the program can provide, and the demand could exceed that cap. So, yes, I think they could exceed that cap." Congress assigned responsibility for the coupon program to NTIA. Your answer, however, suggests to me that the FCC and NTIA are not working together to facilitate a smooth transition. As the agency most responsible for educating consumers about the transition, do you think that it is important that the FCC know whether the coupon program is adequately funded? Has the FCC reached out to NTIA to coordinate consumer education messages, including messages about the coupon program? Are there other ways the FCC and NTIA could work together to better ensure a smooth transition? If yes, please provide details.

Answer:

The FCC and NTIA have communicated extensively since the beginning on the implementation of the DTV transition and will continue our close coordination as the transition approaches. As you know, we have a Memorandum of Understanding relating to our duties and responsibilities in testing the converter boxes under the coupon program. With respect to consumer education, our shared goal is to ensure that consumers are able to receive from both agencies consistent, easy to understand information about what the transition is, why it is happening, how it may affect them and what they need to do to prepare.

We coordinate regularly with NTIA staff to assess and coordinate outreach messages and activities. For example, the FCC participated on the program and exhibited at NTIA's September 25, 2007 DTV public meeting at the U.S. Department of Commerce, and NTIA participated in and exhibited at the DTV program held at the FCC the following day. NTIA exhibited at the FCC DTV Consumer Education Workshop focusing on seniors on November 8, 2007 and will do so at upcoming workshops at the FCC as well. In addition, we have committed to participate in another DTV event that they are planning for February.

In addition to this coordination, NTIA and the FCC often share the stage at other conferences and events aimed at getting out the DTV message. For example, FCC and NTIA staff recently appeared together at a conference sponsored by the

National Congress of American Indians in Denver, Colorado, to discuss the DTV transition and converter box coupon program with tribal leaders and representatives from around the country.

The FCC and NTIA have also forged a partnership with the U.S. Administration on Aging to assure that seniors are aware of the digital transition. On November 28, 2007, as their first action as a result of their partnership commitment, AoA held a meeting with Directors of major senior organizations to discuss problems and solutions for seniors and the specific affect of the transition on them.

We continually look for ways to work more effectively with NTIA to ensure a smooth transition. For example, I recently circulated to my colleagues the DTV Consumer Education Initiative Report and Order that commits to coordinate with NTIA with regards to ensuring that retailers comply with proposed employee training and consumer information requirements.

2. ***FCC's DTV Relationships***

Other than the NTIA, please list and describe the working relationships that the FCC has with other governmental entities with respect to facilitating the DTV transition. Please provide to the Committee copies of any agreements and of any correspondence discussing such working relationships?

Answer:

Since June 2007, the FCC has reached out to 970 governmental agencies and organizations at the federal, state, tribal and local levels to request their assistance in educating the consumers they serve about the DTV transition. I have attached copies of our correspondence to each of these agencies and organizations for your review **(See Attachment 1)**. We have effectuated outreach to an additional 18 organizations via in-person meetings, and participation in events and conferences **(See Attachment 2)**.

- The FCC and NTIA have forged a partnership with the U.S. Administration on Aging to assure that seniors are aware of the digital transition.

- With the assistance of the FCC the American Library Association (ALA) has designated December 1-7, 2007 as "DTV Awareness Week." For that week, the ALA will reach out to all their libraries in the nation, including Puerto Rico, through newsletters, podcasts, listserves, fliers and blogs. In addition, information sessions are being held in conjunction with the ALA in major cities where the Commission has field agents.

- The FCC has worked with the National Congressional Hispanic Caucus to assure that the special needs of informing Hispanics/Latinos are taken into consideration. Chairman Martin spoke on a DTV panel moderated by

Congressman Baca. In addition, the Commission sponsored an exhibit during the conference and handed out Spanish language material and answered questions.

- The FCC also sponsored an exhibit at the Congressional Black Caucus, highlighting the digital transition. Material was distributed and questions were answered by subject matter experts.

- FCC staff worked with the National Association of Consumer Agency Administrators (NACAA) to develop and distribute to 108 NACAA members, including state and local consumer agencies, a joint advisory about the DTV transition for these agencies to use when responding to consumer inquiries about DTV. NACAA worked to ensure that the joint FCC/NACAA advisory was distributed to each of its member agencies which, collectively, interact with millions of consumers nationwide.

The FCC has also worked with a number of Governmental entities through its series of DTV workshops. Below is a list of governmental entities that have provided panelists for all the DTV workshops that the Commission has held to date: the September 26 DTV Consumer Education Workshop and our November 8 DTV Workshop focusing on senior citizens.

September 26

- NTIA
- US Department on Aging/Us Department of Health and Human Services
- US Hispanic chamber of Commerce
- Native Public Media

November 8

- DC Office on Aging
- US Administration on Aging
- US Administration on Aging
- Maryland Consumer Rights Collation
- DC Office of the Attorney General,

The FCC has attended, made presentations, and distributed DTV information at numerous conferences and events sponsored by governmental entities. Some of these include:

- The National Congress of American Indians convention in Denver, Colorado. The FCC gave two presentations on the digital transition. The FCC sponsored an exhibit, distributed DTV information and answered many specific DTV

questions. A resolution was drafted and passed by the executive committee representing their commitment to partner with the FCC to further DTV outreach and education.

- The National League of Cities Annual Conference in New Orleans, LA.

- The National Conference of State Legislatures in Phoenix, AZ.

- A "Senior and Baby Boomer Expo" in Timonium, Maryland. Staff provided DTV information packets and answered questions about digital television and the transition. The event was conducted by the Baltimore County Department of Aging and was attended by more than 8,000 people.

- In conjunction with the Tennessee Regulatory Authority, FCC staff conducted a DTV awareness session for consumers in Nashville, Tennessee.

- FCC staff worked with the Philadelphia Mayor's Council on Technology to tape a TV/Webcast on the DTV transition for use by that office to help educate consumers about the transition.

In addition, a partnership has been forged with the U.S. Postal Service. We are working with them on the mechanics of distributing both FCC and NTIA information at over 32,000 Post Offices throughout the nation and in Puerto Rico. As part of this effort, USPS representatives will permit DTV transition "information displays" in specified areas of the post offices for specified periods of time. As described by USPS representatives, information displays at post offices are rotated several times a year. At the end of each rotation period, new display information is distributed by USPS to all 32,000 post offices pursuant to established USPS rules, requirements and procedures. Under the FCC/USPS partnership, a DTV transition information display would appear at each of the 32,000 post offices for a minimum of two rotation periods: July 2008 to October 2008, several months before the DTV transition deadline, and January 2009 to March or April 2009, just before and after the transition deadline. Although the details of this partnership with USPS are still being worked out, this is a significant opportunity to distribute DTV awareness information to the thousands of communities nationwide served by USPS post offices.

Questions for the Record for Federal Communications Commission
Chairman Kevin Martin
Submitted by The Honorable Bart Stupak

1. ***Small Cable Operators***

The Federal Communications Commission (FCC) reaffirmed the requirement that cable systems must carry high definition (HD) broadcast signals in HD format and reaffirmed its current material degradation standard. These requirements state that digital signals must be made available to digital customers in digital format. Therefore, small cable operators will continue to have both analog and digital customers due to financial constraints resulting in an inability to convert to an all HD digital system.

a. **Will the FCC rules effectively require these operators to set aside more spectrum capacity for "must carry" than they do today in order to provide digital signals in digital format while also making the signal viewable for their analog customers?**

Answer:

No. Today, a cable operator must carry a broadcaster's analog signal to all of their customers—both analog and digital. Today, they comply by either (1) carrying only analog signals and providing their digital customers with set-top boxes capable of viewing analog signals (with dual tuners) or (2) carrying the broadcast signal in analog to analog customers and converting the signal to digital and carrying it to digital customers.

After the transition, a cable operator must carry a broadcaster's analog signal to all of their customers—both analog and digital. They will have the same ability as before to (1) downconvert the digital signal to analog and carry analog signals to all their customers and providing their digital customers with set-top boxes capable of viewing analog signals (with dual tuners) or (2) downconvert the digital signal to analog and carry the broadcast signal in analog to analog customers and in digital to digital customers. What a cable operator cannot do is use the broadcasters' switch from analog to digital as an excuse to stop carrying the broadcast signal in a format that can be viewed by the analog customer.

b. In order to transmit a viewable signal to their analog and digital customers, will small cable operators have to transmit the broadcast signal in analog and digital format simultaneously?

Answer:

The burden on cable operators is the same as it is today, and whether they have to transmit both in analog and digital depends on the type of set-top boxes that the cable operator has deployed.

Today, a cable operator must carry a broadcaster's analog signal to all of their customers—both analog and digital. Today, they comply by either (1) carrying only analog signals and providing their digital customers with set-top boxes capable of viewing analog signals (with dual tuners) or (2) carrying the broadcast signal in analog to analog customers and converting the signal to digital and carrying it to digital customers.

After the transition, a cable operator must carry a broadcaster's analog signal to all of their customers—both analog and digital. They will have the same ability as before to (1) downconvert the digital signal to analog and carry analog signals to all their customers and providing their digital customers with set-top boxes capable of viewing analog signals (with dual tuners) or (2) downconvert the digital signal to analog and carry the broadcast signal in analog to analog customers and in digital to digital customers. What a cable operator cannot do is use the broadcasters' switch from analog to digital as an excuse to stop carrying the broadcast signal in a format that can be viewed by the analog customer.

Mr. Martin, you stated that in the next six months a Further Notice of Proposed Rulemaking will address if small cable companies with capacity of 552 megahertz or less will require a different subset of rules for HD compliance.

c. What steps is the Commission taking over the next six months to determine whether a different set of rules is needed for small cable companies?

Answer:

The Commission, on September 11, 2007, also adopted a *Further Notice of Proposed Rulemaking* which requests additional comments on the viewability and material degradation rules as applied to small cable television operators. The comments, as well as other information submitted in response to the *Notice*, will serve as the basis for the Commission's decision in this matter. We have requested public comment

on whether the Commission should adopt different rules for small cable operators, and we also specifically sought comment on ways to minimize the economic impact on small cable operators while still keeping them in compliance with the statutory requirements governing the carriage of local television stations.

d. What assistance will the Commission provide to small cable operators that file for a waiver of the HD TV requirement?
Answer:

The Commission always gives serious consideration to waiver requests, including any from small cable operators that can demonstrate a significant burden.

Questions for the Record for Federal Communications Commission
Chairman Kevin Martin
Submitted by The Honorable Lois Capps

1. ***Consumer Awareness***

   a. **To date, how has the FCC directed consumers to visit its Digital Television (DTV) website and toll-free consumer hotline, which also includes information about the DTV transition? Is the FCC measuring the extent to which consumers are utilizing the FCC DTV website (i.e. keeping track of the number of visitors) and the hotline?**

   Answer:
   All of our DTV consumer education materials prominently display our www.DTV.gov website and our toll-free consumer number. We encourage partners, other federal state and local agencies, advocacy organizations, and industry to list our number and Web address on their sites and publications. A recent Google search showed over 1,190 other sites linking to our dtv.gov Web site.

   To date, the FCC has directed consumers to visit its Digital Television (DTV) website and toll-free consumer hotline using a variety of strategies. FCC staff has distributed DTV consumer-oriented literature, bearing the website and toll-free consumer hotline, at numerous conferences and various special events attended by consumers and/or consumer interest groups and given media interviews in which the website and hotline are highlighted.

   We monitor the website and toll-free number regularly, not only to gauge the number of visitors and callers but also to assess the most frequently asked questions from consumers. This routine and consistent monitoring help us determine whether and to what extent we might need new or modified information on the website and/or in our consumer center. We also use this information to help determine placement of information, making sure that the most common concerns are prominently addressed.

   We have seen an increase in the number of visitors to our website over the past year. For example, in October 2006, we recorded approximately 147,000 visitors to the website. A year later, in October 2007, we recorded almost 715,000 visits, a clear indication that consumer awareness about the transition is on the rise. We are adding new features regularly, such as a series of DTV podcasts and Webcasts. We are in the process of adding "how to" information to the website, especially information that might assist consumers in shopping for a digital television and converter

box installation.

The Web site includes an outreach tool kit that is constantly updated. Available are instructions on linking to the Web site, downloadable logos, sample awareness session announcements and newsletters articles.

b. More broadly, does the FCC have plans to conduct periodic surveys of consumer awareness about the DTV transition? If so, when and how will these surveys be conducted? Will the FCC report the results of these surveys to Congress?

Answer:

We are assessing the feasibility of surveying consumers about their awareness of and the steps they must take to prepare for the transition. We understand that consumer surveys are a component of NTIA's consumer outreach program and NTIA has expressed its willingness to share its survey data with us and we will use it to help us determine whether and to what extent we should or can conduct our own surveys. We also understand that a number of our DTV Coalition partners have conducted their own surveys of consumer awareness about various aspects of the DTV transition and similarly have expressed a willingness to share their survey data with Commission staff. We will report the results of any surveys to Congress.

2. *Permitting*

a. Some broadcasters are experiencing difficulties receiving the appropriate permits from State and Federal Government agencies to construct their digital facilities. What has the FCC done to ensure that other government agencies are aware of the transition, and are working with broadcasters to facilitate a successful digital transition?

Answer:

To date, State and Federal permitting issues have not been a significant barrier in the construction of DTV facilities. A small number of broadcasters have experienced delays in obtaining approvals from State land owners (notably in park lands), and a few others have had to address concerns about interference to government installations, such as the National Telecommunications and Information Administration ("NTIA") testing facility in Boulder, Colorado. Where appropriate, the Commission has worked with State and Federal officials to provide information and guidance on these matters, and to provide stations with additional time to

complete construction of their DTV facilities. We continue to encourage stations to notify the Commission of any local, State, or Federal permitting issues. To facilitate such notification, we have proposed in the *Third DTV Periodic Review* to adopt a specific form that each station would file with the Commission to notify us of the status of their final DTV construction.

3. ***Converter Box Functionality***

In his testimony, Chairman Martin stated that the FCC recently tested many digital television devices and found that they lacked the V-Chip functionality that is required by the FCC's rules. Chairman Martin testified that the FCC is considering levying approximately $11 million in fines against consumer electronics manufacturers for V-Chip non-compliance. Another functionality that the FCC requires in digital television is the ability to support closed captioning for the deaf or hearing impaired. One of our witnesses, Mr. Claude Stout, testified that many digital televisions and other consumer electronics devices on the market today lack closed captioning capability, or provide capability that is inadequate or confusing. Does the FCC plan to test digital televisions and other devices to ensure that they are meeting the FCC's closed captioning requirements, similar to its efforts to enforce the V-chip rules?

Answer:

Currently we are testing DTV converter boxes for the National Telecommunications and Information Agency (NTIA) under a Memorandum of Understanding related to the DTV converter box coupon program. In that work, we are testing the converter boxes for compliance with technical standards, including V-Chip compliance and the ability to display closed captions.

The Commission does not generally test the functionality of individual television receivers, including whether they properly display closed captions. In response to concerns expressed by Mr. Stout and others, we recently issued two Consumer Advisories which explain, in plain language, how consumers will be able to access closed captions using converter boxes after the transition to digital television and steps they can take if they have problems getting captions. I have enclosed copies of the advisories for your review **(See Attachment 3)**.

FCC Consumer Advisory

Closed Captioning for Digital Television (DTV)

Overview

The Federal Communications Commission (FCC) is concerned that consumers may experience difficulty in receiving and/or viewing closed captioning on some digital television (DTV) programming, including high definition television (HDTV), provided by a programming distributor such as a cable company or a satellite television provider. These difficulties generally could arise from two causes: 1) the consumer's set-top box and/or DTV are not properly set to allow closed captions to be displayed; or 2) there are technical problems with the cable or satellite provider's system that prevent closed captions from being received and decoded by the set-top box and/or DTV.

Background

Closed captioning is an assistive technology that allows persons with hearing disabilities to access television programming. Closed captioning displays the audio portion of programming as text superimposed over the video. For a television receiver to display closed captions, it must use a set-top box decoder or contain integrated decoder circuitry.

As of January 1, 2006, all "new" English language programming, defined as analog programming first published or exhibited on or after January 1, 1998, and digital programming first aired on or after July 1, 2002, must be captioned, with some exceptions.

For more information on closed captioning, closed captioning schedules, and exemptions, visit www.fcc.gov/cgb/dro/caption.html and see our consumer fact sheet at www.fcc.gov/cgb/consumerfacts/closedcaption.html.

What You Can Do

If you have difficulties viewing closed captions on DTV programming, including HDTV, received from your cable company or satellite television provider, you should:

- consult any consumer information and manuals/guides on closed captions for DTV programming provided by your cable or satellite provider;
- ensure that the captioning function on your set-top box, if applicable, is turned on;
- ensure that the captioning function on your DTV is turned on.

(More)

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FCC Consumer Advisory

Closed Captioning and Digital-to-Analog Converter Boxes for Viewers of Free Over-the-Air Programming on Analog Televisions

Overview of DTV Transition

The digital television (DTV) transition refers to the switch from analog to digital broadcast television. When the DTV transition is completed on February 17, 2009, all U.S. full-power TV stations will stop broadcasting in analog format, and will transmit only in digital instead. After that time, consumers who subscribe to pay television services (for example: cable, satellite) will continue to receive broadcast ("over the air") television programs through these subscription services. Consumers who do not have subscription TV services will have two choices: (1) they can purchase a digital TV (either a stand alone digital TV or separate digital tuner set-top box) or (2) they can acquire a digital-to-analog converter box for each of their analog TVs to continue receiving free over-the-air digital television programming. The converter box will convert the over-the-air digital signals into signals that analog TV sets can receive and display. Starting in 2008, a government program run by a separate agency – the National Telecommunications and Information Administration (NTIA) – will make available $40 subsidy coupons, two per household, to help consumers pay for converter boxes. More information on the digital-to-analog converter box coupon program is available online at http://www.ntia.doc.gov/dtvcoupon/index.html, or by calling 1-888-DTV-2009 (voice) or 1-877-530-2634 (TTY).

Some consumers have expressed concern about how the converter boxes will work and whether consumers will continue to receive closed captions after the transition to digital television takes place. The FCC wishes to reassure consumers that its rules do require digital-to-analog converter boxes to pass through closed captions. This advisory explains how consumers will be able to access closed captions using these converter boxes.

Closed Captioning and the Digital-to-Analog Converter Box

Closed captioning displays the audio portion of a television program as text on the television screen, enabling people with hearing loss and others to better access television programming. FCC rules require DTV equipment such as converter boxes to be capable of passing through closed captioning. The digital-to-analog converter box receives closed caption signals and passes those closed caption signals to your TV automatically. In addition, many converter boxes will generate captions through the converter box itself, thus enabling you to change the way your captions look.

How to Control Closed Captions Through Your TV

Analog TVs that are 13" or larger, and were manufactured after July 1993, can display closed captions. When using any digital-to-analog converter box on one of these TVs, you

(More)

Federal Communications Commission
Consumer and Governmental Affairs Bureau
Consumer Inquiries and Complaints Division
445 12th Street, SW
Washington, DC 20554

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*For this or any other consumer publication in an accessible format (electronic ASCII text, Braille, large print, or audio) please write or call us at the address or phone number below, or send an e-mail to **FCC504@fcc.gov**.*

*To receive information on this and other FCC consumer topics through the Commission's electronic subscriber service, click on **http://www.fcc.gov/cgb/contacts/**.*

This document is for consumer education purposes only and is not intended to affect any proceeding or cases involving this subject matter or related issues.

10/15/07

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November 7, 2007

Mr. Claude Stout
Executive Director
Telecommunications for the Deaf and Hard of Hearing, Inc.
8630 Fenton Street, #604
Silver Spring, MD 20910

Dear Mr. Stout:

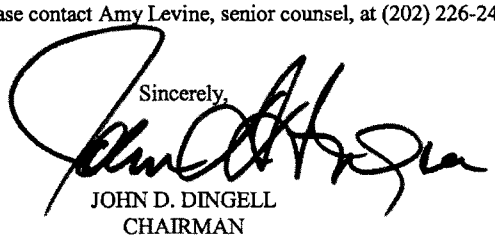
Thank you for appearing before the Subcommittee on Telecommunications and the Internet on Wednesday, October 17, 2007, at the hearing entitled "Status of the DTV Transition - Part 2." We appreciate the time and effort you gave as a witness before the Subcommittee.

Under the Rules of the Committee on Energy and Commerce, the hearing record remains open to permit Members to submit additional questions to the witnesses. Attached are questions directed to you from certain Members of the Committee. In preparing your answers to these questions, please address your response to the Members who have submitted the questions and include the text of the Member's question along with your response.

To facilitate the printing of the hearing record, your responses to these questions should be received no later than the close of business **Monday, November 19, 2007**. Your written responses should be delivered to **316 Ford House Office Building** and faxed to **202-225-5288** (Please put to the attention of Mr. Philip Murphy, Staff Assistant with the Committee). An electronic version of your response should also be sent by e-mail to Mr. Murphy at **phil.murphy@mail.house.gov** in a single Word formatted document.

Thank you for your prompt attention to this request. If you need additional information or have other questions, please contact Amy Levine, senior counsel, at (202) 226-2424.

Sincerely,



JOHN D. DINGELL
CHAIRMAN

Attachment

cc: The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

The Honorable Edward J. Markey, Chairman
Subcommittee on Telecommunications and the Internet

The Honorable Fred Upton, Ranking Member
Subcommittee on Telecommunications and the Internet

The Honorable John D. Dingell

1. *Funding for the Converter Box Coupon Program*

At the hearing, Assistant Secretary Kneuer of the National Telecommunications and Information Administration stated that he believed there is adequate funding for the Digital Television converter box coupon program. Federal Communications Commission Chairman Martin as well as Mr. Mark Goldstein of the Government Accountability Office both stated that they were not as confident as Assistant Secretary Kneuer that adequate funding exists for the coupon program. Do you believe that the funds allocated for the coupon program will be sufficient to provide coupons to every household that requests them? Please explain why you agree or disagree with Mr. Kneuer's assessment.

Coalition of Organizations for Accessible Technology

December 18, 2007

The Honorable John D. Dingell
Chairman
Committee on Energy and Commerce
316 Ford House Office Building
Washington, District of Columbia

Fax: (202) 225-5288

Re: Subcommittee on Telecommunications and the Internet
Hearing on "The Status of the DTV Transition -- Part 2" on October 17, 2007
Response to Additional Question

Dear Chairman Dingell:

Thank you for the opportunity to provide a response to the additional question posed by the Subcommittee on Telecommunications and the Internet. That question and response are as follows:

1. *Funding for the Converter Box Coupon Program*

At the hearing, Assistant Secretary Kneuer of the National Telecommunications and Information Administration stated that he believed there is adequate funding for the Digital Television converter box coupon program. Federal Communications Commission Chairman Martin as well as Mr. Mark Goldstein of the Government Accountability Office both stated that they were not as confident as Assistant Secretary Kneuer that adequate funding exists for the coupon program. Do you believe that the funds allocated for the coupon program will be sufficient to provide coupons to every household that requests them? Please explain why you agree or disagree with Mr. Kneuer's assessment.

The Coalition of Organizations for Accessible Technology (COAT) presented testimony at the above-referenced hearing. The focus of that testimony was on the following:

- Technical difficulties associated with viewing captions on DTV;
- Confusion over the scope of FCC closed captioning mandates with respect to networks switching to HDTV or other forms of digital programming;

- Need for accessible user interfaces for individuals who are blind or have low vision, and easy access to accessibility features (closed captions and video descriptions) on DTV components;
- Barriers to reporting closed caption problems and resolving complaints with companies or with the FCC; and
- Negligible access to television programming through video description by individuals who are blind or have low vision.

COAT does not have sufficient information to express an opinion with respect to whether adequate funding to provide coupons to every household that requests them.

However, COAT is concerned that adequate funding has not been made available for the outreach and education efforts that must be made to ensure that no American is left behind when the DTV transition is completed on February 19, 2007. In particular, COAT is concerned about outreach to and education of members of specific target populations: minorities, seniors, rural residents, low-income individuals, and people with disabilities. To date, NTIA's outreach activities on the coupon program, with respect to people with disabilities, leave much to be desired. We have noted some inaccuracies in coupon program materials that reflect a lack of knowledge about this population. In addition, and perhaps more significantly, NTIA's plan to outreach to and educate people with disabilities appears to rely almost exclusively on the generosity and volunteer efforts of non-profit consumer organizations that have extremely limited resources. We do not feel that those plans alone will result in effectively reach people with disabilities across America. For these reasons, we recommend that NTIA contract with key national disability organizations for consultation, technical assistance, and collaboration on the development, production, and dissemination of outreach and education material, as well as the coupon application and delivery process, to ensure that these aspects of the program are accessible to and effectively reach people with disabilities. We also would appreciate the Committee's follow up with officials at NTIA to identify their plan of action for collaborative efforts with key national disability organizations.

Sincerely,

Claude Stout
Representative, Coalition of Organizations for Accessible Technology

cc: The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

The Honorable Edward J. Markey, Chairman
Subcommittee on Telecommunications and the Internet

The Honorable Fred Upton, Ranking Member
Subcommittee on Telecommunications and the Internet

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November 7, 2007

Ms. Nancy M. Zirkin
Vice President/Director of Public Policy
Leadership Conference on Civil Rights
1629 K Street, N.W., 10th Floor
Washington, D.C. 20006

Dear Ms. Zirkin:

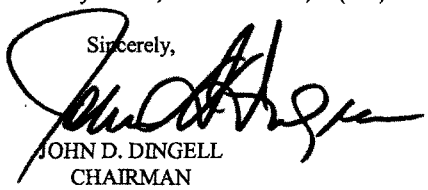
Thank you for appearing before the Subcommittee on Telecommunications and the Internet on Wednesday, October 17, 2007, at the hearing entitled "Status of the DTV Transition - Part 2." We appreciate the time and effort you gave as a witness before the Subcommittee.

Under the Rules of the Committee on Energy and Commerce, the hearing record remains open to permit Members to submit additional questions to the witnesses. Attached are questions directed to you from certain Members of the Committee. In preparing your answers to these questions, please address your response to the Members who have submitted the questions and include the text of the Member's question along with your response.

To facilitate the printing of the hearing record, your responses to these questions should be received no later than the close of business **Monday, November 19, 2007**. Your written responses should be delivered to **316 Ford House Office Building** and faxed to **202-225-5288** (Please put to the attention of Mr. Philip Murphy, Staff Assistant with the Committee). An electronic version of your response should also be sent by e-mail to Mr. Murphy at **phil.murphy@mail.house.gov** in a single Word formatted document.

Thank you for your prompt attention to this request. If you need additional information or have other questions, please contact Amy Levine, Senior Counsel, at (202) 226-2424.

Sincerely,



JOHN D. DINGELL
CHAIRMAN

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The Honorable Edward J. Markey, Chairman
Subcommittee on Telecommunications and the Internet

The Honorable Fred Upton, Ranking Member
Subcommittee on Telecommunications and the Internet

The Honorable John D. Dingell

1. *Funding for the Converter Box Coupon Program*

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Leadership Conference on Civil Rights

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Edward J. McElroy
American Federation of Teachers, AFL-CIO
Floyd Mori
Japanese American Citizens League
Marc H. Morial
National Urban League
Janet Murguia
National Council of La Raza
Ralph G. Neas
People For the American Way
Debra Ness
National Partnership for Women and Families
Mary Rose Oakar
American-Arab Anti-Discrimination Committee
David Saperstein
Union for Reform Judaism
Theodore M. Shaw
NAACP Legal Defense & Educational Fund, Inc.
Shanna L. Smith
National Fair Housing Alliance
Joe Solmonese
Human Rights Campaign
Andrew L. Stern
Service Employees International Union
John Trasviña
Mexican American Legal Defense and Educational Fund
Reg Weaver
National Education Association
Michele Wallace Wetherald
American Association of University Women
Mary G. Wilson
League of Women Voters of the United States
Richard Womack
AFL-CIO
COMPLIANCE/ENFORCEMENT COMMITTEE CHAIRPERSON
Karen K. Narasaki
Asian American Justice Center
PRESIDENT & CEO
Wade J. Henderson

November 19, 2007

Honorable John D. Dingell
Chair
House Committee on Energy and Commerce
316 Ford House Office Building
Washington, DC 20515

Dear Chairman Dingell:

Please find below my response to your question in connection with the hearing entitled "Status of the DTV Transition-Part 2."

At the hearing, Assistant Secretary Kneuer of the National Telecommunications and Information Administration stated that he believed there is adequate funding for the Digital Television converter box coupon program. Federal Communications Chairman Kevin Martin as well as Mr. Mark Goldstein of the Government Accountability Office both stated they were not as confident as Assistant Secretary Kneuer that adequate funding exists for the coupon program. Do you believe that the funds allocated for the coupon program will be sufficient to provide coupons to every household that requests them? Please explain why you agree or disagree with Mr. Kneuer's statement.

I disagree with Mr. Kneuer's statement. The last Congress did not set aside enough money to ensure a smooth transition, despite the clear imperative of moving the 21 million American households from analog to digital television before the nation-wide switch on February 17, 2009. In particular, we are deeply concerned that the $5 million that Congress has allocated to NTIA to educate consumers about the coupon program will be woefully inadequate to support the kind of public education effort that the transition requires. A comparison can be made between cost and scope of public education campaigns and state-wide election campaigns, to prove the inadequacy of the $5 million allocation. For example, the 2006 state-wide Senate elections in California, Ohio, and Pennsylvania, had a combined cost of about $22 million and a combined population of approximately 21 million households—about the same number as over-the-air households. In Ohio alone the campaign cost was $9 million, almost double the $5 million allocated for the entire national public education DTV campaign.

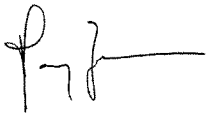
Exacerbating the problem is the fact that the federal agencies most responsible for managing this transition—the National Telecommunications and Information Administration and the Federal Communications Commission—have not yet detailed a plan to ensure that those who are most at risk of losing service will be protected. There is currently no independent plan to determine that coupons will be going to those who most need them—only NTIA's assurances that this will happen. We have called attention to

the need for sufficient independent research (ideally by the GAO) to make sure that messages about the coupon program are effective for these populations. There is a further need to know who is taking advantage of the coupon program during the first phase of the process, so that NTIA knows how to respond or whether and where to deploy additional funds.

In addition to an aggressive ongoing monitoring effort, there must be plans in place to respond rapidly to those most vulnerable populations who end up losing service, so that they get the education and assistance they need. If low-income households, seniors, minorities, or persons with disabilities are cut off because funds run out, Congress must allocate additional funds to ensure that all Americans can make the transition to digital TV.

We thank you for considering our views and look forward to working with you to make the digital television transition a positive experience for Americans. If you have any questions, please contact me at 202/263-2880 regarding this or any issue.

Sincerely,



Nancy Zirkin
Vice President/Director of Public Policy

An initiative of the National Association of Broadcasters

For Immediate Release
October 15, 2007

Contact: Shermaze Ingram, NAB
202-429-5477
singram@nab.org

Alisa Monnier
Starcom MediaVest Group
312-970-8498
alisa.monnier@smvgroup.com

Broadcasters Announce Comprehensive $697 Million Campaign to Educate Consumers about the February 17, 2009 Transition to Digital Television (DTV)

Campaign Complements Variety of Other Initiatives

High-Res Photos from Today's News Conference Will be Available at
http://www.dtvanswers.com/dtv_news

Washington, D.C.– Demonstrating their commitment to helping viewers prepare for the transition from analog to digital television (DTV), broadcasters today announced a comprehensive $697 million consumer education campaign. The multiplatform, multifaceted campaign marks the second phase of the industry's DTV consumer education initiatives, which began in late 2006.

Broadcast networks and television stations nationwide have been working closely together to coordinate initiatives for the campaign, which will include:

- "DTV Action" television spots
- Crawls, snipes and/or news tickers during programming
- 30-minute educational programs about DTV
- 100-day countdown to the February 17, 2009 DTV deadline
- Public relations elements, including earned media coverage in newspapers and online
- DTV Road Show that will visit 600 locations nationwide

- DTV Speakers Bureau that will reach one million consumers
- Online banner ads on TV station Web sites

The combined elements of the DTV campaign will reach nearly all television viewers and generate 98 billion audience impressions during the course of the campaign, which will run through February 17, 2009, when all television stations must turn off their analog signals and begin broadcasting exclusively in the digital format.

"I am proud that NAB is leading what may be the largest volunteer effort in the history of television, with literally every market and network involved," said Jack Sander, chairman of NAB's Joint Board of Directors. "This effort illustrates the continuing commitment by broadcasters to educating all television viewers about the DTV transition.

Every broadcast network is participating in the campaign, along with 95 broadcasting companies representing 939 television stations nationwide. Many other stations are expected to participate the campaign. (Complete list is attached.)

With the immense amount of activity broadcasters and their network partners are undertaking to educate consumers on the digital transition, NAB engaged Starcom MediaVest Group as a strategic partner to help construct the plan and quantify the reach of these initiatives. Starcom MediaVest Group is the largest media services organization in the country, responsible for more than $16 billion in media spending annually. Using their proprietary, state-of-the-art software program, Tardiis, Starcom MediaVest Group was able to calculate approximate impressions and valuations of the consumer education campaign.

"The broadcasting community is wholly dedicated to making sure no television viewer loses access to free, over-the-air broadcast television due to a lack of information about the switch to digital television, said David K. Rehr, president and CEO of NAB. "This next phase of our DTV consumer education campaign will take our current initiatives to the next level, and further increase the frequency of messages viewers receive about the transition to digital."

# # #

STATEMENTS IN SUPPORT OF THE DTV CONSUMER EDUCATION CAMPAIGN

"The ABC Television Network and the ABC Owned Television Stations are staunchly committed to heightening awareness of the shift to digital broadcasting in February 2009 and ensuring that the broadcasting industry is able to serve all our viewers without interruption. We're pleased to be part of the consortium's efforts to make this transition as smooth as possible."

-ABC Television Network and ABC Owned Television Stations

"I applaud the National Association of Broadcasters education efforts to inform the general public about the nation's transition to a digital television broadcast standard on February 17, 2009. The NAB's commitment to a multifaceted consumer education campaign that will help educate consumers, especially those who will be disproportionately impacted by the transition, including households in rural communities is critical."

-Larry Mitchell, Spokesperson for the Alliance for Public Television

"We are very aware of the need to reach out to consumers in an unprecedented fashion during the months leading up to the transition. The NAB consumer education program will provide invaluable information to consumers on everything from set top boxes to rooftop antennas and dispel the myths surrounding DTV. Belo Corp. television stations are pleased to be working closely with this dedicated consortium of broadcasters in this very important process."

-Dunia Shive, President and Chief Operating Officer, Belo Corp.

"CBS is pleased to be participating in this industry-wide promotional campaign aimed at educating viewers about the digital transition. Public awareness is a critical component in ensuring that all viewers are prepared for the transition and able to continue to enjoy the same high quality news, sports and entertainment programming that they receive today from the nation's broadcasters."

-CBS Corporation

"Fox Broadcasting joins with our fellow networks and affiliate groups in supporting the efforts to ensure that all viewers receive this important information."

-Fox Broadcasting

"We are proud to be a member of the NAB and we are committed to the success of the NAB DTV Consumer Education Plan. This plan has the complete support of all 23 of our local stations. It is imperative that consumers receive free, local broadcast service without interruption."

-Dave Lougee, President, Gannett Broadcasting

"The DTV transition is among the most important milestones in the history of modern communications and our industry is fully committed to help Americans embrace Digital Television and High Definition Television."

- David J. Barrett, President & CEO, Hearst-Argyle Television, Inc.

"The 2009 DTV transition will introduce an over-the-air broadcast television renaissance, giving consumers the highest picture quality, more free over-the-air choices and new places and devices for families to enjoy, manage and share their television experiences. As a forward-looking, independent broadcaster operating the largest number of television stations in the nation, ION Media Networks is enthusiastically embracing this digital broadcast revolution and actively working with the National Association of Broadcasters and its broadcast peers to make the DTV transition successful and exciting for consumers.

ION Media Networks believes that the DTV transition and digital technology will give broadcasters a new front row seat in the delivery of highest quality, diverse and mobile video and information content. We applaud the initiatives David Rehr and the NAB are taking to unify our industry around these exciting goals, and we intend to aggressively support the DTV marketing campaign to make consumers aware of the exciting broadcast opportunities ahead, including more and better television at lower cost."

-Brandon Burgess, President & CEO, ION Media Networks

"The great switch from analog to digital TV will have a profound impact on millions of Americans, especially seniors, the poor, minority communities, people with disabilities and those whose first language is not English. We look forward to continuing to work with NAB to make sure these vulnerable populations don't lose service after the transition."

-Nancy Zirkin, Vice President and Director of Public Policy, Leadership Conference on Civil Rights

"NBC Universal takes very seriously the upcoming transition to digital television, and we will participate on behalf of our networks and owned broadcast stations in a broad and effective campaign to inform the public and ensure that millions of Americans aren't left in the dark."

-NBC

"It's an important part of our public service mission that Public Television remains accessible to all Americans through free, over-the-air broadcasting. Working together, Public Television stations and national organizations are planning a comprehensive, multi-phase campaign to help everyone make the transition, especially those millions of people who rely on over-the-air exclusively."

-Paula Kerger, President and CEO, PBS

"Raycom Media takes very seriously our responsibility in educating our viewers about the transition to digital television in February of 2009. Raycom and its stations see this educational responsibility as a necessary and important investment in our viewers and our industry. The Raycom Media educational campaign began on-air and on-line several months ago in our individual television markets. We now look forward to joining forces with the NAB and the Broadcast industry as a whole to insure the American public is fully prepared for this exciting upcoming transition."

-Mr. Paul McTear Jr., President and CEO, Raycom Media Inc.

"The National Urban League congratulates the National Association of Broadcasters for their efforts to educate consumers, especially minority populations, on the February 17, 2009 switch from analog television to digital television. Early education is key to a successful transition, particularly for people of color, who will be disproportionately impacted by the switch. With NAB's commitment to education through a multifaceted consumer education campaign, we are confident the switch will be smooth."

- National Urban League

Endorsements

While all broadcasters will be engaged in digital television transition consumer education efforts, the following companies have specifically endorsed this multifaceted campaign and are committed to working with our private and public sector partners to lead the way to ensure that no consumer is left without access to television due to a lack of information about the transition to digital.

Company	Stations represented
ABC Owned Television Stations	10
ABC Television Network	
ACME Communications	7
Bahakel Communications Television	6
Banks Broadcasting	1
Barrington Broadcasting Group	17
Belo Corporation	19
Block Communications Inc.	5
Bonneville International/KSL TV	1
Bonten Media Group	8
California Oregon Broadcasting	3
Capitol Broadcasting Co., Inc.	4
CBS Television Network	
CBS Television Stations	29
Channel 2 Broadcasting Co./ KTUU-TV	1
Citadel Communications Co., Ltd.	4
Cordillera Communications	11
Cox Television	14
CW Network	
Davis Television	1
Dispatch Broadcast Group	2
Diversified Communications	2
Drewry Group	5
Duhamel Broadcasting Entprses.	4
Emmis Communications Television	1
Entravision Communications Corp.	17
Equity Broadcasting Group	18
EW Scripps Company	10
Fisher Broadcasting	12
Fox Television Network	
Fox Television Stations Inc.	37
Freedom Communications	9
Gannett Broadcasting	23
Granite Broadcasting Corporation	10
Gray Television	33
Hearst-Argyle Television, Inc.	36
Heritage Broadcasting Co.	2
Hoak Media, LLC	15
Hubbard Broadcasting	13
ION Media Network	
ION Media Network Television Stations	56
Iowa Public Television	8
Journal Broadcast Group	9
Landmark Communications	2
LIN TV Corporation	32
Lincoln Financial Media	3

Lockwood Broadcasting	3
Malara Broadcast Group	2
Maryland Public Broadcasting	5
Max Media LLC	9
McGraw-Hill Broadcasting Group	4
McKinnon Broadcasting, Inc	3
Media General Broadcast Group	21
Mel Wheeler, Inc.	2
Meredith Corporation Broadcasting Group	12
Morgan Murphy Media	5
My Network TV	
NBC Universal Television Network	
NBC Universal Television Stations	12
Nebraska Educational Telecommunications Comm	8
News-Press & Gazette	6
NexStar Broadcasting Group, Inc.	31
Northern California Public Broadcasting Inc	3
Northwest Broadcasting, Inc.	5
Pappas Telecasting Companies	17
Post-Newsweek Stations, Inc.	6
Prime Cities Broadcasting	2
Quincy Newspapers, Inc.	11
Ramar Communications	4
Raycom Media, Inc.	35
Red River Broadcast Company LLC	7
Rogers State University Public TV	1
Saga Communications, LLC	3
Sagamore Hill Broadcasting	8
Sarkes Tarzian Television	2
Schurz Communications, Inc.	9
ShootingStar Broadcasting	1
Sinclair Broadcast Group	51
Southeastern Media Holdings LLC	3
Southern Broadcast Corporation	3
Sunbeam Television Corporation	3
Sunbelt Communications Company	15
Telemundo Group, Inc.	15
Telemundo Network	
The Victory Television Network	3
Tribune Broadcasting Company	24
Trinity Broadcasting Network	24
United Communications Corp.	2
Univision Communications, Inc.	40
Univision Network	
Wilson Broadcasting	1
Woods Communications	2
West Virginia Media Holding	4
Withers Broadcasting	3
Young Broadcasting, Inc.	9
Total	939

Endorsements received as of 11:30 a.m. ET October 15, 2007.

National Cable & Telecommunications Association
25 Massachusetts Avenue, NW – Suite 100
Washington, DC 20001
(202) 222-2300

www.ncta.com

Kyle McSlarrow
President and CEO

(202) 222-2500
(202) 222-2514 Fax

September 6, 2007

The Honorable John Dingell
Chairman
Committee on Energy and Commerce
United States House of Representatives
Washington, DC 20515

The Honorable Joe Barton
Ranking Member
Committee on Energy and Commerce
United States House of Representatives
Washington, DC 20515

The Honorable Ed Markey
Chairman
Subcommittee on Telecommunications
& the Internet
Committee on Energy and Commerce
United States House of Representatives
Washington, DC 20515

The Honorable Fred Upton
Ranking Member
Subcommittee on Telecommunications
& the Internet
Committee on Energy and Commerce
United States House of Representatives
Washington, DC 20515

Dear Chairmen and Ranking Members,

In just 18 months, the United States will embark on a dramatic change in over-the-air broadcast television. A successful transition to an all digital broadcast system will make valuable spectrum available for public safety and increased wireless broadband services, and deliver significant benefits to television viewers.

However, as I testified before your Committee in 2005, the cable industry agrees with your assessment that all of the affected industries – not just the broadcast industry – have an important role to play in educating and assisting all consumers about the transition. Thus, we are proud to have been one of the founding members of the DTV Transition Coalition, working with the broadcast, consumer electronics, and satellite industries as well as many, many other consumer and interested organizations to educate the millions of Americans who will be affected by the digital transition. We are committed to helping the DTV Transition Coalition develop and implement a unified message that can be reinforced across multiple platforms.

We also agree that consumer education should start sooner rather than later. Thus, I'm pleased to inform you that the National Cable & Telecommunications Association (NCTA), on behalf of our member companies which provide hundreds of networks and video service to 65 million U.S. households, will launch this week a substantial and multifaceted consumer education campaign designed to reach all cable customers and millions of non-cable viewers with useful information about the transition.

As many have pointed out, the simplest and most direct route to communicating with television viewers is through television itself. Thus, we are making a substantial commitment to air $200 million of English and Spanish language advertising on cable and broadcast television stations and networks. That advertising campaign will start this week and will not conclude until February 2009.

The enclosed DVD includes the first four commercials that will begin airing this week and through the fall on both English and Spanish-language broadcast networks and cable systems. These and subsequent spots will be distributed to cable operators and networks for airing in markets nationwide from now through February 2009. And we fully expect to participate in the development and airing of more public service announcements created by the DTV Transition Coalition.

Because, as I mentioned above, it is important for all affected industries to provide a consistent message directed toward general consumer awareness of the transition, we have intentionally tracked both the language and websites of the DTV Transition Coalition. And, because we also have a responsibility to avoid consumer confusion, we have also attempted to provide a more specific message that is directly relevant to cable customers.

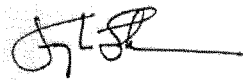
The central goal of any DTV education campaign is to reach and educate those Americans who own an analog TV which receives over-the-air signals only. Thus, these commercials attempt to send three simple messages: 1) the digital transition takes place in February, 2009; 2) if you have a TV hooked up to cable, your provider will manage the transition for you; and, 3) if you have an analog TV receiving over-the-air signals only (regardless of whether you have other TVs hooked up to cable), you will have to take some action, about which you can learn more by visiting www.dtvtransition.org or espanol.dtvtransition.org or the toll-free DTV hotline established by the National Telecommunications & Information Administration.

In addition, NCTA has taken the following actions and makes the following commitments on behalf of the cable industry to do our part to ensure a seamless transition for our television viewers:

- NCTA has revamped our website (www.ncta.com) to highlight the digital transition, and today is launching English and Spanish-language websites linked to our homepage that provide consumers with easy-to-understand information, tips and other information about the transition.
- Links on the websites direct users to other government, consumer and industry websites that provide useful consumer information about the transition.
- In 2008, educational messages and reminders about the transition will be sent to all cable customers through monthly statements on invoices and "bill stuffers" in cable bills.
- In 2008, brochures about the transition will be distributed at community and public events.
- A customer communication "tool kit" will be sent to cable systems nationwide before the end of 2007. It will include:
  - invoice messages to be included on billing statements
  - electronic messages for digital cable boxes
  - on-screen scrolls for local origination channels
  - telephone "on-hold" messaging for customer call centers
  - sample emails to be sent to broadband customers
  - website "banners" for MSO and network websites
- Employee communications materials to educate employees about the DTV transition will be distributed to NCTA member companies.
- Local origination and on-demand programming will be created to provide a brief tutorial on the benefits of the digital transition, and how cable can help customers navigate through it.
- Original research on consumer perceptions of the transition will be conducted, and the results will be shared publicly and with other members of the DTV Transition Coalition.

Finally, I appreciate the many constructive suggestions made by you and Members of the Committee, many of which you will see reflected in our commitments listed above. Our industry intends to continue to play a leading role in the DTV Transition Coalition and we look forward to continuing to work with you, the NTIA, and the FCC to ensure a successful digital transition.

Sincerely,



Kyle McSlarrow

cc: Members, Committee on Energy and Commerce, United States House of Representatives

Cable Launches $200 Million Digital TV Transition Consumer Education Campaign

Publication Type: Media Release
Date: 9/6/2007

CONTACT: Rob Stoddard/Brian Dietz, 202-222-2350

English and Spanish language TV commercials to air this fall; Spots can be viewed at www.ncta.com/DTVSpots

WASHINGTON, D.C. – With the nation's broadcast television system switching to new digital technology in 18 months, the U.S. cable industry is this week launching an extensive consumer education campaign, including English and Spanish language TV advertising valued at $200 million, designed to reach millions of cable and non-cable viewers with useful information about the digital TV change. The new ads can be viewed at www.ncta.com/DTVSpots.

The campaign was announced today in the attached letter from National Cable & Telecommunications Association (NCTA) President & CEO Kyle McSlarrow to leaders of the House and Senate Commerce Committees, and copied to all Members of Congress (The two letters are linked below).

"As many have pointed out, the simplest and most direct route to communicating with television viewers is through television itself. Thus, we are making a substantial commitment to air $200 million of English and Spanish language advertising on cable and broadcast television stations and networks. That advertising campaign will start this week and will not conclude until February 2009," McSlarrow said in the letter.

In addition to the TV advertising, McSlarrow also announced the creation of English and Spanish language informational website material, and other commitments for cable companies to communicate with consumers about the digital transition. These commitments are highlighted in the letter, the text of which can be found in the documents linked below.

# # #

NCTA is the principal trade association for the U.S. cable industry, representing cable operators serving more than 90 percent of the nation's cable television households and more than 200 cable program networks. The cable industry is the nation's largest broadband provider of high-speed Internet access after investing more than $110 billion over ten years to build a two-way interactive network with fiber optic technology. Cable companies also provide state-of-the-art digital telephone service to millions of American consumers.

Attachment: McSlarrow_DTV_Letter_to_House_09.06.07.pdf (49 KB)
Attachment: McSlarrow_DTV_Letter_to_Senate_09.06.07.pdf (48 KB)

Related Publications

9/26/2007
Statements of Support for the Cable Industry's Digital TV Transition Campaign
Abstract: Statements from various government officials, Members of Congress, trade associations, and advocacy groups.
Publication Type: Other Voices

Print

10-01-2007

Univision Communications Inc. Launches Industry's First Digital Television Conversion Education Campaign

Multi-Platform Effort to Lead Up to FCC-Mandated Change to DTV in February 2009

New York, NY -- Univision Communications Inc., the nation's leading Spanish-language media company, today announced that it has launched a massive multi-platform campaign to educate the country's Hispanic population on the upcoming Congressionally mandated transition from analog to digital television broadcasting (DTV). Univision is taking the lead, starting its education program well ahead of the other broadcast networks in order to ensure that all Hispanics in the U.S. and Puerto Rico are appropriately informed about this complex and important issue.

As part of the first phase of the campaign, Univision today began airing thirty-second public service announcements (PSAs) on its broadcast television networks (Univision and TeleFutura), local television stations, radio stations and online site, featuring some of its most popular stars explaining the DTV transition. The second phase will provide instructions on how to receive additional information and money-saving coupons for the required conversion devices. In addition, Univision has launched a dedicated website, at Univision.com, Keyword: TV Digital (http://www.univision.com/content/channel.jhtml?chid=6&schid=23224&secid=0), which includes information regarding the transition to DTV, as well as answers to frequently asked questions and information on making televisions DTV-ready.

Univision is working with the Federal Communications Commission (FCC) and the National Telecommunications and Information Administration (NTIA) on this educational effort which will include a toll-free information hotline with Spanish-language capability to handle questions regarding the DTV conversion.

Over the course of the next several months, Univision will air special programs, cover the issue through local and national news and public affairs programs and host interactive events across the nation to facilitate the DTV transition process for Hispanics.

"I am very proud of the fact that Univision has launched this campaign a full three months before the FCC's schedule, fulfilling our duty to go above and beyond to serve the Hispanic community," said Joe Uva, CEO, Univision Communications Inc. "Our audience puts a great deal of trust in Univision to provide them with timely information regarding events in the nation that affect them, and the DTV transition is something we feel will impact a significant portion of the country's Hispanic community. By addressing viewers' concerns early and often through our education campaign, we are ensuring them that they will be able to continue to rely on Univision as their number one source of information on this subject, as well as other news and information, now and well into the future."

Univision's DTV PSAs, will feature top Univision talent including the cast of Univision's "Despierta America" (Wake Up America) and TeleFutura's "Escandalo TV" (ShowBiz TV) and can be viewed at Univision.com, Keyword: TV Digital (http://www.univision.com/content/channel.jhtml?chid=6&schid=23224&secid=0).

The switch from analog TV to DTV began in 1996, when the U.S. Congress authorized the distribution of an additional broadcast channel to each TV broadcaster so that they could introduce DTV service while simultaneously continuing their analog TV broadcasts. In addition to improved picture and sound quality, DTV allows the same number of television stations to broadcast using fewer total channels, freeing up parts of the increasingly scarce broadcast spectrum for public safety and new wireless services. The FCC requires that all full-power television stations cease analog broadcasting on February 17, 2009.

Univision Communications Inc.
Univision Communications Inc. is the premier Spanish-language media company in the United States. Its operations include Univision Network, the most-watched Spanish-language broadcast television network in the U.S. reaching 99% of U.S. Hispanic Households; TeleFutura Network, a general-interest Spanish-language broadcast television network, which was launched in 2002 and now reaches 89% of U.S. Hispanic Households; Galavisión, the country's leading Spanish-language cable network; Univision Television Group, which owns and operates 62 television stations in major U.S. Hispanic markets and Puerto Rico; Univision Radio, the leading Spanish-language radio group which owns and/or operates 70 radio stations in 16 of the top 25 U.S. Hispanic markets and 5 stations in Puerto Rico; Univision Music Group, which includes Univision Records, Fonovisa Records, La Calle Records and Mexico-based Disa Records as well as Fonomusic and America Musical Publishing companies; and Univision Online, the premier Spanish-language Internet destination in the U.S. located at www.univision.com . Univision Communications also has a 50% interest in TuTv, a joint venture formed to broadcast Televisa's pay television channels in the U.S., and a non-voting 14.9% interest in Entravision Communications Corporation, a public Spanish-language media company. Univision Communications has television network operations in Miami and television and radio stations and sales offices in major cities throughout the United States.

For more information, please visit www.univision.net.

Contact: Rosemary Mercedes
Univision Communications Inc.
212-455-5335
marketingcomm@univision.net

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LEADING THE NEWS

Auction the spectrum's 'white spaces'

By Rep. Fred Upton (R-Mich.)
Posted: 10/16/07 04:14 PM [ET]

Even after we complete the digital television transition on Feb. 17, 2009, broadcasters will not be using all the spectrum allocated for television. The unused spectrum left over throughout the country has been dubbed the "white spaces." Some companies are asking that the spectrum be given to them for free to use for unlicensed devices. This would be a mistake.

As a recent test by the Federal Communications Commission indicated, unlicensed use of the white spaces could interfere with digital television. But even if there were no risk of interference, giving spectrum away is an inefficient and wasteful way to allocate this scarce and precious national resource. The better course would be to license and auction the spectrum. We could even use a large portion of the proceeds to fund communications equipment for first responders, as we did in the digital television legislation we passed last Congress.

Many years back, the FCC gave spectrum away in random lotteries or in "beauty contests" to whomever made the commissioners the rosiest promises. This was a terribly subjective and inefficient way to allocate spectrum. So Congress moved to auctions in 1993, based on the Nobel prize-winning work of a number of economists. The result has been an unmitigated success. The wireless service market is now vigorously competitive and innovative. And we are seeing an explosion in wireless broadband services that will continue to grow as carriers roll out their next-generation networks. The icing on the cake? The auctions that unleashed this innovation and competition have raised tens of billions of dollars for American taxpayers.

This is no coincidence. First, auctions put spectrum into the hands of those who value it most while letting market forces, rather than regulators, determine the best technologies and services. Second, auctions provide a predictable environment to ensure companies can invest with certainty. And third, the licenses that are auctioned protect against interference because license holders have both an incentive and a legal duty to prevent any problems.

This third point is particularly important in light of our digital transition. Maybe device manufacturers will eventually be able to solve the interference issue. But if they don't, or if some of the devices malfunction, licenses make it easier to remedy any problem. By contrast, once unlicensed devices are out there, it is very difficult to control them or get them back. Should any problems occur in the white spaces, consumers' digital television reception could be ruined. It is important to remember that years of planning and billions of dollars have been invested — and continue to be invested — by the government, the television industry, the consumer electronics industry, the retail industry and, ultimately, consumers, to ensure that the DTV transition is a success.

We are also learning that there is great value in being able to repurpose spectrum in the future. We are starting to do that with increasing frequency, and licensing is what makes it feasible. Indeed, I'm not sure how we would have repnrposed the broadcasters' analog spectrum for emergency communications had we not licensed the broadcasters. Repurposing spectrum is much more difficult in an unlicensed world.

Some have argued that white spaces have no other valuable purpose. However, that clearly is not the case. Companies are already proposing that the FCC allow carriers to use it as an alternative to the special access services that are currently the subject of another FCC proceeding. Some also say that the spectrum won't fetch much at auction, although I note that these are the same people who are asking to be given the spectrum for free. Other companies believe the spectrum could be worth as much as $6 billion. I'm not sure yet who is right. I am sure, however, that the market is far better than we — and far more objective — at predicting what technologies will be successful and what the actual value of spectrum is. And regardless how much money we raised at auction, we would be surer that we found the best use.

I certainly want the white spectrum used. It may still turn out that fixed and mobile broadband devices are best

suited for the white spaces. And if there is no real alternative, the cost at auction will be relatively slight. It may turn out, however, that it is better used as a special access alternative, or something we aren't even thinking of yet. What's the best way to find out while protecting the DTV transition at the same time? Let all providers and services compete in a properly structured auction.

Upton is a member of the House Energy and Commerce Committee.

Special section: Telecom

Securing the network of the future
The digital revolution must be televised nationwide
Auction the spectrum's 'white spaces'
Universal Service Fund necessary for rural connectivity

Close Window

STATUS OF THE DTV TRANSITION—PART 3

WEDNESDAY, OCTOBER 31, 2007

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TELECOMMUNICATIONS
AND THE INTERNET,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:35 a.m., in room 2123, Rayburn House Office Building, Hon. Edward J. Markey (chairman) presiding.

Present: Representatives Doyle, Harman, Gonzalez, Inslee, Boucher, Towns, Eshoo, Stupak, Engel, Green, Capps, Solis, Dingell, Upton, Hastert, Stearns, Wilson, Radanovich, Walden and Barton.

Staff present: Amy Levine, Mark Seifert, Tim Powderly, Colin Crowell, Maureen Flood, David Vogel, Philip Murphy, Neil Fried, and Courtney Reinhard.

OPENING STATEMENT OF HON. EDWARD J. MARKEY, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF MASSACHUESTTS

Mr. MARKEY. Good morning, ladies and gentlemen. We welcome you to this very important hearing on the digital television transition. As all of our Members can see, we have the single largest panel ever gathered to testify on any one subject in the history of the United States Congress, and in order for us to be able to accomplish this goal, beginning with the chairman, who is going to limit himself to 1 minute, I am going to ask if each of the members of the subcommittee would also limit themselves to 1 minute in their opening statements so that we can get to these witnesses and end it before the children begin trick-or-treating this evening. That would be my goal.

And so I will begin by recognizing myself. Happy Halloween. In a little over a year, millions of American consumers will find out if the digital television transition is a trick or a treat. Will stores trick them into buying equipment they don't need? In February 2009 will they see their screens summarily turn as black as a Halloween cat? Will they long for the old analog signal even with its friendly ghosting; or conversely, will it be a wonderful treat? Will it be a bag full of digital delights, including the eye candy of a better pristine picture, breathtaking high-definition programming and perhaps multiple streaming of new sources and channels?

Nothing is scarier this Halloween than the prospect of millions of consumers disillusioned and upset with a Government-mandated

transition that has gone awry. For this reason we are holding today yet another digital television oversight hearing.

We obtained testimony just 2 weeks ago from consumer groups, the chairman of the FCC, the head of the NTIA, as well as important testimony from the GAO about the status of the transition and suggestions for improvement.

Today we have an expert panel of witnesses, of industry stakeholders to inform the subcommittee about their perspectives of the transition with just over a year to go prior to the hard date and just 2 months before the Government converter box coupon program begins. We will be working with the FCC and the industry on these issues. I want to thank the witnesses for their willingness to testify today and sincerely hope that this hearing goes well.

The Chair recognizes the gentleman from Michigan, the ranking member of the subcommittee, Mr. Upton.

OPENING STATEMENT OF HON. FRED UPTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. UPTON. Thank you. I will try to be as brief as well. I just note that the clock didn't start until you were well into your statement.

I am just glad that daylight savings time has not switched until Sunday with trick or treat, so our trick-or-treaters tonight have that extra hour of sunlight, one of the things that you and I worked on together in the last Congress as the 2005 bill, so that hopefully we won't have as many accidents today.

Mr. MARKEY. And I want to congratulate you on that, Mr. Upton.

Mr. UPTON. We worked together. It was a good thing.

I thank you for holding this hearing on the transition to DTV. We welcome our panel and our many witnesses that are here today.

I would just note that in February 2006 President Bush signed into law the legislation that designated midnight February 17, 2009, as the date to complete the transition from analog to digital TV broadcasting. The transition from analog to digital television represents the most significant advancement of TV technology since color TV was introduced decades ago. And I would remind all of us here that there was legislation introduced early on in this Congress, H.R. 608, the Barton-Upton-Hastert DTV Consumer Education Act, which goes a long way to assure folks that, in fact, we will see that transition move in an orderly way.

Who will be affected once the proverbial switch is flipped? Cable, satellite and TV companies will take steps to continue providing service for their TV subscribers. These consumers will not be noticeably impacted by the DTV transition. The cable and broadcast industries have already stepped up to the plate to help educate the public about digital TV transition with still more than a year to go. Thank you. By introducing public education campaigns that will total nearly a billion dollars, B as in big, it is comforting to know that industry understands the critical importance of educating Americans on this issue so that, in fact, a seamless transition can take place in February 2009.

Mr. Chairman, I am going to ask my full statement be part of the record. I look forward to interacting with our distinguished

panel today to make sure that, in fact, this is a success, and not only today, but at the end of the day. And I yield back.

Mr. MARKEY. The gentleman's time has expired.

The Chair recognizes the gentleman from Pennsylvania, Michael Doyle.

Mr. DOYLE. Thank you, Mr. Chairman. And my treat to you today will be to waive my opening statement so we can get to our witnesses. I yield back.

Mr. MARKEY. The Chair recognizes the gentlelady from California, Jane Harman.

OPENING STATEMENT OF HON. JANE HARMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Ms. HARMAN. Thank you, Mr. Chairman.

I would point out that if our witnesses were female, it would take far fewer of them to communicate this information. That is not part of my opening statement.

Good morning, Mr. Chairman, and welcome to our witnesses. Our lengthy witness list today is ample evidence that a broad range of industries, not to mention 300 million Americans, have a stake in the DTV transition. Six years after the 9/11 attacks, first responders still cannot communicate horizontally or vertically on a national basis.

My views are well known. The 700 MHz TV spectrum should have been cleared by 2006. Any delay beyond February 2009 is totally unacceptable and dangerous. February 2009 is less than 16 months away. Half of all Americans are clueless about what the DTV transition is. Education efforts by industries represented here today must hit the streets now.

I am fond of saying that perfection is not an option, but failure to complete this transition is not an option either. When we are attacked again, sadly that is my prediction, we will be measured by our response. A national, integrated, fully interoperable network is the indispensable requirement.

I yield back the 13 seconds remaining.

Mr. MARKEY. The gentlelady's time has expired.

The Chair recognizes the gentleman from Texas Mr. Gonzalez.

Mr. GONZALEZ. Waive opening.

Mr. MARKEY. The Chair recognizes the gentlelady from California Ms. Eshoo.

OPENING STATEMENT OF HON. ANNA G. ESHOO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Ms. ESHOO. Thank you, Mr. Chairman, for holding yet another hearing on this important issue.

There are several points that I wanted to make. I am going to drop some of them, but I do want to say this: Last week the committee heard the testimony of the FCC Chairman Martin in support of a multitasked must carriage. The chairman, of course, believes that cable providers must be mandated into carrying all five digital channels. The theory purported by the chairman asserts that if carriage is mandated, broadcasters would produce the content on their extra channels.

Right now in my district, not one commercial broadcaster produces additional content on these extra channels except some who air the weather radar 24 hours a day. But public television stations across the country are using additional channels. In my district KQED has five new channels they are broadcasting, and they have a channel that is dedicated to children's programming and another 24-hour Spanish-language channel.

So what I would like today is to hear from the broadcasters and have them explain to the committee why commercial broadcasters are not producing content for these extra channels and why public television is able to do so and air this content while commercial broadcasters are leaving these channels fallow.

I think there is a lot of work to be done as we roll out this transition. I think it needs to be coordinated, both by industry and the Government. And I look forward to hearing the comments that our witnesses are going to make today.

Thank you, Mr. Chairman.

Mr. MARKEY. The gentlelady's time has expired.

The Chair recognizes the gentleman from Oregon Mr. Walden.

Mr. WALDEN. Thank you, Mr. Chairman. I am going waive my opening statement.

Mr. MARKEY. The Chair recognizes the gentleman from Texas Mr. Green.

OPENING STATEMENT OF HON. GENE GREEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. GREEN. Thank you, Mr. Chairman, for holding the hearing. I welcome our panel.

This is the third hearing specifically on DTV this year, as well as the issue brought up when we had the FCC Commissioners in front of our subcommittee this year. And I will keep my remarks less than 1 minute.

In previous hearings we have yet to hear convincing testimony that there is a concerted effort to coordinate consumer education campaigns and make sure Americans know that DTV transition is coming, let alone what will be happening in 2 months when they can start applying for the converter box coupons. It is troubling that the NTIA and the FCC outreach efforts of an Internet base is not going to help groups such as the elderly and non-English-speaking households that typically rely heavily on over-the-air broadcasts, that do not access the Internet at high rates. I look forward to the testimony and any efforts that Congress, the FCC or NTIA need to implement to ensure the smooth transition.

Last Monday's commitment by the National Association of Broadcasters has spent $700 million on DTV education and advertising, a promising sign that broadcasters nationwide are committed to ensuring there is a transition; the cable industry's commitment of $200 million in advertising as well. And I hope to see a similar commitment by all the parties involved.

And, Mr. Chairman, again I thank you for holding this third hearing, and I am sure before February 2009 we will have many, many more hearings.

Mr. MARKEY. I thank the gentleman. The gentleman's time has expired.

The Chair recognizes the gentleman from Florida for 1 minute, Mr. Stearns.

OPENING STATEMENT OF HON. CLIFF STEARNS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. STEARNS. All right. And I see it is 1 minute.

Thank you, Mr. Chairman. Thank you for holding this hearing.

My staff has indicated we have had in the last two Congresses—this one is not done—we have had almost 10 hearings on this subject, so there certainly is an ample opportunity for us to comment on this.

I would like to make my full statement part of the record.

Our position, or at least my position, is a free market is working to help the transition go as smoothly as possible. Consumers continue to connect their televisions to video services offered by cable, satellite and new telephone providers. Furthermore, under FCC rules all television receivers manufactured since March 1, 2007, must be able to receive digital signals over the air. Moreover, many TVs not connected to cable or satellite are sitting in people's attics never turned on and are used only for videotapes, DVD or video games. At least that is the case in my house. We have these TVs all over the place. My son uses them for video games. None of the consumers in these situations will need converter boxes.

So, Mr. Chairman, I think we are making great strides here, and I think we are bringing ample opportunity for hearing on this issue, and I appreciate the opportunity to talk. Thank you.

Mr. MARKEY. The gentleman's time is expired.

The Chair recognizes the gentlelady from California, Hilda Solis.

OPENING STATEMENT OF HON. HILDA L. SOLIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Ms. SOLIS. Thank you, Mr. Chairman. And I would like to welcome our witnesses this morning.

I am really excited that Univision is here today because they are one of the few broadcasters that I know of that has already launched radio ads and PSAs to help provide information to the Spanish-language community regarding the transition that is going to be before us. So I want to applaud you for that, and also say that we also have to focus in on low-power television stations in the DTV transition. And I will submit my statement for the record.

Mr. MARKEY. The gentlelady's time has expired.

The Chair recognizes the gentleman from California Mr. Radanovich.

OPENING STATEMENT OF HON. GEORGE RADANOVICH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. RADANOVICH. Good morning, Mr. Chairman. Thank you for holding this hearing.

I, like many of my colleagues, are primarily concerned about consumer education on this issue. For future business models to succeed, the private industry needs a smooth transition, and the market forced necessary to motivate these businesses to make that ef-

fort are obviously in place. We have seen this thus far in the consumer education campaigns that are already going on. Cable television, for example, was a leader in this effort when it announced a $200 million comprehensive consumer education campaign back in early September and has provided a great service. Many retail stores are participating in educating their consumers, placing signs in their stores and alerting their consumers about the transition. Just a few weeks ago the broadcasters announced their own comprehensive $697 million campaign, including television commercials, educational outreach and community activities, to help inform their many customers. You basically cannot watch TV anymore without seeing a commercial where a very nice elderly woman tells you what is about to happen to your TV signal.

This type of outreach is necessary. I commend you for all of your efforts that you have made thus far, and I look forward to the hearing in these efforts.

Thank you, Mr. Chairman.

Mr. MARKEY. The gentleman's time has expired.

The Chair recognizes the gentlelady from California, Mrs. Capps.

OPENING STATEMENT OF HON. LOIS CAPPS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mrs. CAPPS. I will be brief, Mr. Chairman.

Thank you again for holding this hearing. Your leadership on this issue means that media and consumers are taking note and learning more about the digital television transition and how it will affect them.

I want to thank Chairman Dingell and my colleagues on the Energy and Commerce Committee for passing the 911 Modernization Act yesterday. The recent widespread wildfires in central and southern California were a stark reminder of why 911 modernization is vitally important. So I hope we can continue this focus on public safety by strengthening 211 services so that families and individuals can seek and obtain critical services in times of need.

The wildfires have also brought to the fore that unexpected events can have powerful consequences on the DTV transition. In this vein it is my hope that the FCC is taking into consideration the impact that wildfires and other disasters can have on broadcasters that are trying to meet the DTV transition statutory deadline.

I will submit my further statement to the record, Mr. Chairman, and yield back.

[The prepared statement of Mrs. Capps follows:]

PREPARED STATEMENT OF HON. LOIS CAPPS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, I'd like to thank you again for holding this hearing. Your leadership on this issue means that media and consumers are taking note and learning more about the digital television transition and how it will affect them.

I'd also like to thank Chairman Dingell and my colleagues on the Energy and Commerce Committee for passing the 911 Modernization Act yesterday.

The recent, widespread wildfires in central and southern California were a stark reminder of why 911 modernization is vitally important.

I hope that we can continue this focus on public safety by strengthening 211 services, so that families and individuals can seek and obtain critical services in times of need.

The wildfires have also brought to the fore that unexpected events can have powerful consequences on the DTV transition.

In this vein, it is my hope that the FCC is taking into consideration the impact that wildfires and other disasters can have on broadcasters that are trying to meet the DTV transition statutory deadline.

I also expect that the FCC will take into consideration stronger protections for small cable providers in complying with the recent dual-carriage order.

I would like to extend thanks to our panel today for coming in to testify; I am very interested to hear what actions you all have pursued to ensure that adequate consumer protections are in place throughout the transition.

Government, retailers, service providers, and broadcasters are all holders of the public trust.

Some of the most vulnerable members of our society are counting on us to guide them through this transition, and I hope that you all will join us in ensuring that their trust in our intentions is not misplaced.

Thank you again, Chairman Markey, for holding this hearing.

Mr. MARKEY. The gentlelady's time has expired, and all time for opening statements by members of the subcommittee have expired. So we will turn to our panel, and we will begin by recognizing Mr. Ron Bruno. Mr. Bruno is the president of the Community Broadcasters Association and President of Bruno-Goodworth Network, Incorporated.

Welcome, Mr. Bruno. Whenever you are ready, please begin.

STATEMENT OF RON BRUNO, PRESIDENT, COMMUNITY BROADCASTERS ASSOCIATION, PRESIDENT, BRUNO-GOODWORTH NETWORK, INC., PITTSBURGH, PA

Mr. BRUNO. Thank you, Mr. Chairman, Ranking Member and members of the committee. As you said, my name is Ron Bruno, and I am recently elected the president of the Community Broadcasters Association. We are the trade association that represents the Nation's class A and low-powered television stations. I am also the president of Bruno-Goodworth Network, as you said, a company based in Pittsburgh. We own and operate 11 class A television stations in Pennsylvania, Ohio and West Virginia. I appreciate the opportunity today to testify.

Class A television stations were created in 1999 by Congress because it recognized the benefit of local programming. These stations are small businesses that boast the largest percentage of minority ownership in the television broadcast industry. They agree to adhere to a strict set of regulations, one of which is to provide a minimum of 3 hours a week of local programming every week. In fact, class A stations are the only stations mandated by law to produce local programming. AM stations, FM stations, full-power television stations are not mandated by law. Class A LPTV stations are the only stations mandated by law to produce local programming.

Simply put, Mr. Chairman, long before localism was a buzzword in this industry, class A stations were serving their local communities with local programming. There are 910 class A and class A qualified stations providing local programming to underserved communities. Despite following the same regulations as full-power stations and providing the mandatory hours of local programming each week, these stations are not entitled to carriage rights with the exception of those in very small communities. As a result of this inequality within the broadcast industry, my flagship station

in Pittsburgh, WBGN, has recently been forced to lay off 75 percent of our staff. We have eliminated our local news segment. We have cut all high school sports and other programs. WBGN was once thriving with more than 18 hours of local programming every week and drawing tremendous cumulative ratings of 10 percent in the market. We are now broadcasting less than 6 hours of local programming weekly.

Mr. Chairman, if the playing field between full-power stations and class A stations is not leveled, mandated local programming by many small community-based broadcasters will cease to exist in the digital world. In 1992, approximately 80 percent of the television viewers in this country watched TV over the air with an antenna; 25 years later we are barely at 12 percent. Broadcasting exclusively over the air with no cable or satellite is no longer a viable business model.

As a result class A stations have attempted to make private arrangements with cable companies in an effort to obtain carriage. The demands of these cable systems have been too onerous, and class A stations across America are dying. In my specific case, Comcast recently cancelled my original arrangement to be on their system, which was I would pay Comcast a quarter of a million dollars annually to be carried in Pittsburgh. Their new offer was for me to pay $2.4 million annually for carriage, which was the highest implicit rate formula they could get out of leased access. As stated, we are a small business dedicated to providing local programming, but the charges demanded by Comcast for us were simply too high, and they would be too high for any class A operator in America.

After an extended negotiation with Comcast, the result has been that we are now carried on less than half of the Comcast system in our market at substantially more money. The real tragedy in all of this is Comcast isn't presenting anything on the channel that we used to use. They just display a slide on the screen that says "Leased Access Channel," and they use a bad font at that.

The tragedy like this is happening all across America; California, Texas, Washington State, Oregon, Massachusetts, Michigan, Florida, Georgia, Mississippi, New York, New Jersey—I could go on and on—where local programming is dying, jobs are disappearing and businesses are being destroyed.

Class A broadcasters really enjoy broadcasting, Mr. Chairman. We enjoy providing local programming to our communities. We know that we will be out of business unless Congress acts to level the playing field on carriage rights, and to that end we have put forth a proposal that is very simple and fair and would ensure mandated local programming from class A stations will continue to exist in a digital world.

Our proposal calls for willing class A stations to immediately cease analog broadcast and convert straight to single-digital-only operations. This will expedite the transition to nationwide digital TV service as well as free up valuable analog spectrum for Government use or auction. In exchange for moving directly to digital on a single channel, these stations would be granted carriage rights within the grade B contour on the basic tier of the digital cable system, not the analog, the digital cable system.

Let me be clear about our proposal, Mr. Chairman. It does not include carriage rights throughout the designated market area. We are not trying to be superstations. We only want to be seen to the areas that we cover in the areas that we cover within our grade B contour, which is how far our stations extend, no more no less.

Mr. Chairman, I appreciate this time today and sincerely hope that you and the members of the committee will recognize the urgency of this industry's situation and act in a manner that benefits small businesses, local programming and, most importantly, consumers. Thank you very much.

Mr. MARKEY. Thank you, Mr. Bruno, very much.

[The prepared statement of Mr. Bruno follows:]

Testimony of Ron Bruno

Mr. Chairman, Ranking Member and Members of the Committee, my name is Ron Bruno, and I am President of the Community Broadcasters Association (CBA), the trade association that represents the nation's Class A and low power television stations (LPTV). I am also the President of Bruno-Goodworth Network, Inc., a company based in Pittsburgh, PA. We own and operate 12 Class A stations in Pennsylvania, Ohio and West Virginia. I appreciate the opportunity to testify here today, and I look forward to working with the Committee in an effort to ensure that local programming and local broadcasters have the opportunity to flourish in the digital world.

As many of you may know, Class A television stations were created in 1999 by Congress because it recognized the inherent benefit of local programming. These stations are small businesses that boast the largest percentage of minority ownership in the television broadcasting industry. They agree to adhere to a strict set of regulations, one of which is to provide a minimum of three hours of local programming each week. In fact, Class A stations are the only stations mandated by law to provide local programming, and we are proud that the many of our stations exceed the mandated minimum requirement. Simply put, Mr. Chairman, long before "localism" was a buzzword in this industry, Class A stations were serving their local communities with local news, programs, sports, public events and political debates.

There are approximately 910 Class A and Class A Qualified television stations across the country providing local programming to underserved communities. Despite following the same regulations as full power stations, and providing the mandatory hours of local programming each week, these stations are not entitled to cable carriage rights with the exception of the very small communities in rural areas.

As a result of this inequality within the broadcasting industry, my flagship station in Pittsburgh, WBGN, has recently been forced to lay of 75% of its staff. We have eliminated our local news segment; we have cut all high school sports; we have ceased in-house production of local programs. While WBGN was once thriving with more than 18 hours of local programming every week and drawing tremendous cumulative ratings of 10% of the market, we are now broadcasting less than 6 hours of local programming weekly, all of which is produced by outside, independent producers. My main purpose here today, Mr. Chairman, is to let this committee know that if the playing field between full power stations and Class A Stations is not leveled, mandated local programming and many small, community based broadcasters will cease to exist in the digital world. My story illustrates why this will be the case.

In 1982, more than 80% of television viewers in the country watched television over-the-air. Twenty-five years later, Mr. Chairman, that number is barely 12%. Broadcasting exclusively over-the-air, with no cable or satellite, is no longer a viable business model. As a result, Class A Stations have attempted to make private business arrangements with cable companies in an effort to obtain carriage. The demands of the cable systems have been too onerous and they are destroying Class A Stations and local programming. In my

case, Comcast recently cancelled my original arrangement to be on their system, which was that I would pay Comcast a quarter of a million dollars annually to be carried. Their new offer was for me to pay them $2.4 million annually for carriage. As stated, we are a small business dedicated to providing local programming, but the numbers demanded by Comcast were simply too high for us or any other small business to pay. The result has been that we are now carried on less than half of the Comcast system in our market. The real tragedy in this is that Comcast isn't presenting anything else on the channel we used. They just display a slide on the screen where our station used to be that says "Leased Access Channel."

At the end of this year, our funds will run out, and we will no longer be able to afford to pay Comcast at all and they most certainly will turn us off and Pittsburghers will loose a local broadcast voice.

As I said earlier, my story is not uncommon. It has happened all across California, Texas, Washington state, Oregon, Massachusetts, Michigan, Florida, Georgia, Mississippi, New York, and New Jersey, only to name a few of the states. Local programming dies, jobs disappear and small businesses are destroyed. Class A broadcasters enjoy being real broadcasters, Mr. Chairman, and we enjoy providing local programming to our communities. We know that we will all be out of business unless Congress acts to level the playing field on carriage rights, and to that end, we have put forth a proposal that is simple and fair and would ensure that mandated local programming will continue to exist in the digital world.

Our proposal calls for willing Class A stations to immediately cease analog broadcasting and convert straight to single-channel digital-only operation. This will expedite the transition to nationwide digital TV service, as well as free up valuable analog spectrum for government use or auction. It also alleviates a variety of concerns regarding these stations being issued a second channel from the FCC, as at no time would they be utilizing separate and analog and digital channels. In exchange for moving directly to digital on a single channel, releasing valuable spectrum and never utilizing a second channel, these stations would be granted carriage rights within their Grade B contour on the basic digital tier of the cable system.

Let me clear about this proposal, Mr. Chairman. It does not include carriage rights throughout the Designated Market Area (DMA), but only in the portion of the DMA that the stations reach over the air, in other words, reaching the same households to which these stations currently broadcast. No more. No less.

Mr. Chairman I appreciate this time today and look forward to working with you and the distinguished members of the committee.

Mr. MARKEY. Now we will turn and recognize Mr. Patrick Knorr, who is the president and general manager of Sunflower Broadband. Welcome, sir.

STATEMENT OF PATRICK KNORR, PRESIDENT AND GENERAL MANAGER, SUNFLOWER BROADBAND, LAWRENCE, KS

Mr. KNORR. Thank you, Mr. Chairman and members of the subcommittee.

As you said, my name is Patrick Knorr, and I am general manager of Sunflower Broadband, an independent cable business in Lawrence, Kansas. We serve about 35,000 customers providing advanced cable, high-speed Internet and local phone service.

I am also chairman of the American Cable Association. The ACA is the voice for nearly 1,100 small and medium-sized cable companies together serving about 8 million households. Our members range from family-run businesses serving one community to multiple-system operators focusing on smaller markets in rural areas. In fact, more than half our system serves less than 1,000 customers, and most serve rural communities with only a few hundred homes.

Small cable operators are important businesses in their communities. Along with providing broadcast and cable programming, many of our members offer community programming not carried by other operators. In addition to providing competitive voice services in many smaller communities, our members are the only providers of high-speed Internet access and are stepping up to provide competitive voice services that Congress has desired.

ACA and its members are committed to ensuring a successful digital transition, and know we have a role in educating consumers about that transition. ACA is an active member of the Digital Television Transition Coalition working with other businesses, trade and industry groups to ensure no customer is left without broadcast television because of a lack of information about the transition. Our ACA Web site features a graphical link to the DTV transition Web site, and already some of our members are airing public service announcements on their system about the transition.

ACA has already hosted two events this year focused on the transition. At our independent show, an annual gathering of small cable operators, the ACA held an educational panel discussing the transition. And more recently we hosted an event in Washington, DC, where NTIA's assistant secretary for communication and information, John Kneuer, spoke to our members about the transition and the Digital-to-Analog Converter Box Coupon Program.

While ACA and its members are committed to the digital transition, we also know the switch to digital will produce unique burdens on our systems, which, if not appropriately dealt with, will cause harm to consumers and especially in those small markets and rural areas. Small cable operators want all their customers to continue to receive the same broadcast stations after the transition, including all must-carry stations. For this reason the ACA filed comments with the Federal Communications Commission earlier this year seeking flexibility to convert broadcasters' digital signals to analog and address the lack of standards in converting high-defi-

nition signals to standard definition, including analog, which remains unresolved.

In September, to our dismay, the Commission adopted new rules that effectively force many small cable operators to offer must-carry broadcast stations in both analog and digital, a dual-carriage obligation, after the digital transition.

For the foreseeable future it is a finance infeasibility for many small cable operators to comply with this order without significant harm to consumers. The dual-carriage obligation requires operators to purchase costly equipment and set aside additional bandwidth. Many small operators do not generate the revenue necessary to support the expensive equipment, and others do not have the spare capacity to carry each must-carry broadcaster's signal twice.

While the order does permit cable systems with channel capacity of 552 MHz or less to file a waiver from the dual-carriage obligation, it unfairly requires systems with limited financial resources to engage in a process with the FCC with an unsure outcome. If an operator can't afford the equipment, what makes the Commission think they can afford a lawyer?

The FCC plans to issue a Further Notice of Proposed Rulemaking on this order's impact on small operators. And we ask members of this committee to urge the FCC to devise more flexible rules for systems with both a small base of customers and with those with limited channel or bandwidth capacity, or Congress should pass legislation to do so.

Finally, we urge Congress to find ways to help small operators provide local broadcast services in digital to consumers in smaller markets and rural areas. Let me be clear, all small cable operators want to provide their consumers with digital television services, but in reality, owners of small systems can neither afford to upgrade their facilities nor purchase the digital set-tops necessary to offer this advanced service.

In 2005, Congress recognized the financial hardship that low-power and translator stations face in upgrading their facilities from analog to digital and set aside significant funds to assist in their transition. The ACA believes a similar program should be considered to help small cable operators.

Mr. Chairman and members of the committee, thank you again for the opportunity to testify.

Mr. MARKEY. Thank you, Mr. Knorr, very much.

[The prepared statement of Mr. Knorr follows:]

United States House of Representatives
Before the Subcommittee on Telecommunications and the Internet
Committee on Energy and Commerce

Wednesday, October 31, 2007

Hearing on the Status of the DTV Transition – Part 3

TESTIMONY OF PATRICK KNORR

GENERAL MANAGER – SUNFLOWER BROADBAND
LAWRENCE, KANSAS

CHAIRMAN – AMERICAN CABLE ASSOCIATION
PITTSBURGH, PENNSYLVANIA

INTRODUCTION

Thank you, Mr. Chairman and members of the Subcommittee.

My name is Patrick Knorr, and I am General Manager of Sunflower Broadband, an independent cable business based in Lawrence, Kansas. We serve about 35,000 customers, providing a full suite of services -- cable television, digital cable, high-speed internet, local phone service, digital video recorders and other advanced services. Our service area includes the City of Lawrence and The University of Kansas, home of the Jayhawks, and several smaller communities in the region, including Linwood, Kansas, population 374. As I hope you will appreciate, thanks to my company, there is no digital divide in Linwood and the other small towns we serve.

I am also the Chairman of the American Cable Association (ACA). In a communications world dominated by industry giants, ACA is the voice for nearly 1,100 small and medium-sized cable companies. Together, these companies serve about 8 million households and small businesses. ACA members range from family-run cable businesses serving a single community to multiple system operators that focus on smaller markets and rural areas. The average ACA member operator serves about 7,500 subscribers, but the average system serves less than 2,000, and many serve as few as several hundred homes.

Small cable operators are important businesses in their communities. Along with broadcast and cable programming, many of our members offer unique local programming, such as high school sporting events and religious services that are not carried by other operators. In addition, our members are rolling out high-speed Internet access and Voice over Internet Protocol phone service in areas where the service is not currently available.

Small cable operators are committed to ensuring a successful digital transition. ACA and its members know they have a role in educating consumers about the transition to ensure those who rely on over-the-air broadcast service know about their options well in advance of analog broadcast service ending.

While we recognize education is an integral component of a successful transition, we also know the switch to digital it will impose unique burdens on small cable operators and their customers, which, if not appropriately dealt with, will cause harm to consumers, especially in small and rural markets.

DIGITAL TELEVISION TRANSITION EDUCATION

To reduce consumer disruption associated with the digital transition, ACA is providing information to its members and consumers about the broadcasters' switch to digital, and we intend to do more in the next year. Already some of our larger members are airing public service announcements about the transition on their systems.

To educate our members, the ACA has already hosted two events this year focused on the digital television transition. At our Independent Show – an annual gathering of small cable operators from across the country – the ACA held an educational panel discussion on the digital television transition, which included representatives from the programming, cable, and consumer electronics industries. More recently, the ACA hosted an event in Washington, D.C., where NTIA's Assistant Secretary for Communications and Information, John Kneuer, spoke to our members about the transition and the Digital-to-Analog Converter Box Coupon Program.

The American Cable Association is also an active member of the Digital Television Transition Coalition comprised of business, trade and industry groups that are working together to ensure as little disruption as possible for consumers during the transition. Today, the ACA prominently features a large graphic link to the DTV Transition website on our homepage, and one to their "Are You Ready?" document geared toward consumers.

The small cable industry will continue these and other efforts, and we look forward to reporting back to Congress on our progress.

THE FCC'S DUAL-CARRIAGE OBLIGATION

Small cable operators want to continue offering all broadcast stations to their subscribers after the digital transition, including must-carry stations. For this reason, the ACA filed comments with the Federal Communications Commission seeking flexibility to convert the broadcaster's digital signal to analog.

In September, to our dismay, the Commission adopted new rules that force many cable operators to offer must-carry broadcasters' signals in both analog and digital – a dual-carriage obligation – after the digital television transition on February 17, 2009.

For the foreseeable future, it is a financial impossibility for many small cable systems to comply with this Order. The dual-carriage obligation would require operators to purchase costly equipment and set aside additional bandwidth, which will impact consumers who will not receive any new signals in return. Many small systems do not generate the revenue necessary to support this costly equipment, and others do not have the capacity to spare to carry each must-carry broadcasters' signal on two channels. The Commission erred in not providing greater relief for small operators.

While the Order permits cable systems with channel capacity of 552 megahertz or less to file a waiver from the dual-carriage obligation, it unfairly requires systems with limited financial resources to engage in and pay for a process at the FCC with an unsure outcome, as our industry recently learned with respect to the ban on integrated set-top boxes. If an operator can't afford equipment, what makes the Commission think they can afford a lawyer?

In 2005, this Committee passed legislation that included an outright exemption for bandwidth-constrained systems, but the provision was stripped from the final bill because of procedural rules in the Senate. In 2006, the Senate Commerce Committee passed legislation with a similar exemption, but that bill never passed because of unrelated factors. At a minimum, we believe that the Commission should have carried out the will of House and Senate Commerce Committees.

The FCC plans to issue a Further Notice of Proposed Rulemaking on this Order's impact on small operators, and we urge Members of this Committee to either pass legislation providing an outright exemption for small operators, or weigh in with the FCC urging them to devise more flexible rules for systems with both a small base of subscribers and those with limited channel or bandwidth capacity.

TRANSITIONAL FUNDING FOR CABLE OPERATORS CONVERSION TO DIGITAL TELEVISION

All small cable operators want to provide consumers with digital television services. Unfortunately, owners of some systems can neither afford to upgrade their facilities nor purchase the digital set-top boxes necessary to offer these advanced services. For systems with a limited number of subscribers, the cost to provide digital service cannot be recouped in the current marketplace. These systems, often located in smaller markets and rural areas, will have no choice but to provide their subscribers with an analog-only service for the foreseeable future.

Across the country, there are thousands of these analog-only cable systems. In the coming years, some of these systems will find ways to provide digital services, but many will not. Those that cannot afford to upgrade will eventually bow to the competitive pressure of the two satellite providers, and shut down their facilities. The loss of a local cable company would deny consumers with a once viable third competitor, and the only operator providing community programming, and more importantly, one that can offer broadband service.

Small cable operators are a vital part of rural America, especially in bridging the digital divide. We urge Congress to find ways to help small operators provide digital services to consumers in smaller markets and rural areas. In the Deficit Reduction Act of 2005, Congress recognized the financial hardship that low-power and translator stations faced in upgrading their facilities from analog to digital and set aside $75 million to assist in their transition. The ACA believes that a similar program should be considered to help small cable operators, who represent an important link in the television chain in rural America.

Assisting small cable operators in their efforts to upgrade to digital ensures that more consumers across the country have the opportunity to receive high-definition television from their local broadcasters. In the *smallest television markets*, consumers who live outside the contour of their local broadcast signals can only receive these stations from a digital cable provider. These channels are not available from satellite TV providers because these operators do not have the bandwidth to offer local HD broadcast signals to consumers in these small markets, and will not in the future. In fact, neither satellite TV provider today offers any local broadcast service in more than 30 of the smallest markets. In order to ensure that rural

Americans can receive local broadcast service in HD, we look to Congress to help the small cable operators' transition from analog to digital.

Chairman Markey and members of the Committee, thank you again for the opportunity to testify on this topic of importance to small cable operators and consumers.

Mr. MARKEY. Next we are going to hear from David Barrett, who the is the president and chief executive officer of Hearst-Argyle Television. He is representing the National Association of Broadcasters here today.

Welcome, Mr. Barrett.

STATEMENT OF DAVID J. BARRETT, PRESIDENT AND CHIEF EXECUTIVE OFFICER, HEARST-ARGYLE TELEVISION, INC. NEW YORK, NY

Mr. BARRETT. Thank you, Mr. Chairman. Good morning, Ranking Member Upton and members of the subcommittee. My name is David Barrett. As Mr. Markey noted, I am the president and CEO of Hearst-Argyle Television. I welcome the opportunity to participate in today's discussion about the digital television transition.

In just 475 days American broadcasters will complete the most significant advancement of television technology since the advent of the color television as we cease analog transition in February 2009. At that point our digital signals, which provide vastly superior video and audio quality, enhanced viewing choices and the potential for greater program diversity, will be available for American television consumers.

Unquestionably the transition presents an enormous challenge for broadcasters, but the transition is a critical business imperative for those of us in the television industry. The livelihood of all of us in this industry depends on getting it done and done well. Be assured that we are committed to doing everything we can to make the transition seamless for our viewers. Our objective and our commitment is that Americans will be fully educated and fully informed about the transition, and that they will understand their options that no set will go dark due to a lack of information.

As evidence of this commitment, on October 15th NAB announced the largest, most impressive, and the most pervasive volunteer effort in television history to educate consumers on the switch to digital television. Over 1,000 stations have committed to participate in a multifaceted marketing program valued at close to $700 million. This marketing program is unprecedented and will far exceed the most ambitious public service announcement programs that have ever aired in the history of television or radio.

The program will consist of DTV action spots today available in English and Spanish. And I would add that these spots are already being adapted in multicultural languages in markets like Los Angeles. All these spots will be closed-captioned. These spots, along with the production tool kit for local customized application, will be distributed to every television station in America, including our friends at public television stations across the country. Stations will air 30-minute DTV education programs, use crawls for reminder messaging, and feature a 100-day countdown clock to the February 2009 deadline.

NAB's road show Trekker will visit over 600 locations nationwide. A speaker's bureau has been established to touch every locality at the grass roots, senior centers, high schools, churches, rec centers and the like. And stations will use their Web sites and are using their Web sites to inform, educate and market our message through the transition. I will note that there have already been

over 5,000 new stories reported about the transition, and I believe that number will grow exponentially.

Every single television network is participating in this campaign along with 113 broadcasting companies representing 1,078 TV stations nationwide. And this is only beginning as we expect more to join as we move forward in the coming days.

The combined elements of this multiplatform, multifaceted marketing campaign will generate 98 billion advertising impressions, which is a marketing measurement for the number of persons reached with a given message. Therefore, we in good faith do not believe it is necessary for Congress or the FCC to impose mandatory PSA requirements on television stations.

It is plainly in our self-interest, aside in addition to our overall public stewardship, to make sure that American people are fully informed about this transition. We will leave no viewer behind, and we look forward to working with Congress, the subcommittee, Chairman Martin and the FCC to report our efforts periodically to make it very transparent and to work together to assure a successful transition.

This effort only builds upon what broadcasters have already done, including the creation of an industry and Government coalition of over 170 groups and organizations, including the FCC and NTIA; the launch of a Web site, *www.DTVanswers.com*; delivery of DTV tool kits to every Member of Congress; and congressional staff briefings on how Members can educate their own constituents.

In my view, the key to making the DTV consumer information and education effort work is to empower creative, innovative and localized marketing by stations who know best how to communicate with their local communities. The NAB program I briefly described will achieve that goal.

Finally, I respectfully encourage members of the subcommittee and the Commission not to jeopardize the success of the digital transition by prematurely opening up the television broadcast spectrum to personal and portable unlicensed devices that FCC testing has found to cause harmful interference. We share your sense of urgency and that of FCC Chairman Martin to accelerate industry-wide consumer information and educational efforts that will fully inform and educate Americans about the digital transition.

Thank you, and I look forward to responding to your questions.

Mr. MARKEY. Thank you, Mr. Barrett, very much.

[The prepared statement of Mr. Barrett follows:]

Testimony of David J. Barrett,
President and CEO,
Hearst-Argyle Television, Inc.
On behalf of
The National Association of Broadcasters
Before the
House Subcommittee on Telecommunications and the Internet
Of the
House Committee on Energy and Commerce

Status of the DTV Transition – Part 3
October 31, 2007

Good morning Chairman Markey, Ranking Member Upton and subcommittee members. My name is David J. Barrett. I am the President and CEO of Hearst-Argyle Television, Inc. I am also a member of the Board of Directors of the National Association of Broadcasters (NAB), on whose behalf I am testifying today. NAB is a trade association that advocates on behalf of more than 8,300 free, local radio and television stations and also broadcast networks before Congress, the Federal Communications Commission and other federal agencies, and the courts.

The topic of today's hearing is the status of the digital television (DTV) transition. I am happy to discuss the transition from a broadcaster's perspective. For broadcasters, there are two equally important aspects of this transition: (1) making sure we are in a position to transmit a digital signal to our viewers at the time of the analog cut-off, and (2) making sure our viewers – your constituents – will be able to receive those signals on the TV sets in their homes. We are committed to report our progress on both fronts, including our consumer education campaign on a quarterly basis. We will also work with you and the Federal Communications Commission (FCC) to adapt as needed to ensure that the viewing public is fully informed about the transition and what they need to do to prepare for February 17, 2009. Let me touch briefly upon each of these aspects.

I. Transmitting Digital Signals

Transitioning our stations to digital represents a major financial commitment for the entire broadcasting industry. Thus far, Hearst-Argyle has spent more than $80 million outfitting our television stations for digital transmission. That's nearly $2.5 million per station, and that does not include the price of upgrading our news operations to high-definition, which we have done in four markets so far. Put simply, the digital transition is very expensive for broadcasters. And, the cost is the same whether you are a station in New York City or Helena, Montana. Furthermore, operating both analog and digital transmission streams, as we have done now for years, costs our stations real money in energy and labor expenses.

At Hearst-Argyle, we make a consistent effort to be on the cutting edge of television technology. Currently, all of our television stations are transmitting in digital.

And 16 of our stations are transmitting additional local programming through "multicast" channels, which, as you know, is possible with a digital television signal. Through our partnership with NBC, we have helped develop WeatherPlus, which, when aired on local multicast channels, provides up-to-the-second weather and emergency information to local residents.

Broadcasters are using multicast streams to provide "missing" networks in their area and are adding newly created local and national programming. All of this will mean enhanced viewing experiences for *all* consumers.

We applaud Chairman Martin for his leadership and the other Commissioners for their efforts to date to adopt technical rules and changes necessary to implement the transition. We look forward to working in a cooperative effort with Chairman Martin, the other Commissioners, and the FCC's professional staff in the coming months to complete this important task.

II. Broadcasters Are Committed To A Comprehensive Consumer Education Plan

Beyond the technical challenges, broadcasters are fully committed to making certain that television viewers understand what they need to do to continue to receive their local television signals after the switch to digital-only broadcasting on February 17, 2009. It is in our self-interest to do so and to assure that no consumer – no viewer anywhere – is left behind due to a lack of information about the transition. We pledge to you that this goal will be achieved. Currently, there are 19.6 million U.S. households that receive over-the-air, broadcast-only signals, equating to 17% of total U.S. households. There are, on average, 2.27 television sets in these households, or approximately 45

million television sets that will be affected when analog signals are shut off in 2009. In addition, an estimated 24 million broadcast-only televisions in households also have cable, satellite or Internet connections. In total, nearly 69 million television sets may be affected.

Local television stations that today keep their communities informed and connected will remain a vibrant part of the media landscape in the 21st century. Broadcasters at the national, state and local levels have been coordinating extensively with government, private industry, membership organizations and others to educate all consumers so that they understand the DTV transition. These activities began in earnest in 2006 and will continue well after the transition on February 17, 2009.[1]

We all desire a smooth transition to digital with minimum disruption to TV viewers. For this to happen, the American public must understand what all-digital broadcasting means for them, including the many benefits it will bring, the options available to be ready for the transition and the appropriate steps to take. To that end, the broadcast industry has embarked on an unparalleled and unprecedented consumer education campaign. This is a multifaceted, multi-platform education campaign that uses all of the tools available to achieve success.

Much has been said about government-mandated on-air public service announcements, or PSAs. I believe it will not be necessary for Congress or the FCC to mandate PSAs. Our effort will involve more than PSAs. We are developing a specific, multi-faceted, multi-language, multi-cultural plan. It will be more consumer friendly,

[1] Deficit Reduction Act of 2005, Pub. L. No. 109-171, Title III, §§ 3002(a), 3003, 3004, 120 Stat. 21, 22.

more customized, and tailored to the viewers and their special needs in each station's service area, and it will be more effective than any government-mandated plan.

No avenue to reach consumers will be left unexplored. Broadcasters have already embarked on an extensive education and marketing campaign to ensure we reach all ethnic and demographic groups, all geographical areas, urban and rural viewers, the young and the old.

NAB has made a significant investment in staff, having hired a five-person, full-time staff dedicated exclusively to DTV transition consumer education. The staff has utilized outside experts to conduct significant consumer research, in the form of surveys and focus groups to find out as much as possible about the universe of American over-the-air, broadcast-only viewers. NAB has also visited and opened dialogues with officials running respective DTV campaigns in the United Kingdom, Sweden, Austria and Belgium to ascertain how European nations are running their transition campaigns. NAB's plan is based upon solid consumer understanding, demographic and viewership knowledge, and the experience of other nations.

NAB has developed and is supporting www.DTVanswers.com, a comprehensive Web site that is a resource to educate consumers, journalists and opinion leaders about the DTV transition. Along with the Web site, NAB will direct our viewership that are not connected to the Web to call 1-888-DTV-2009, a government sponsored toll-free number equipped with information.

In addition to NAB's internal efforts, many individual stations are already running DTV transition action spots. For example, Raycom Media is running a series of these spots under the theme of "The Big Switch." Other companies, like Capitol Broadcasting,

Post Newsweek, Bonneville, Freedom and Dispatch Broadcast Group, are also already running DTV spots while many others have aired news stories on the subject. Moreover, NAB developed and sent to stations a comprehensive video package that includes, among other tools, interview sound bites for use in newscasts to tell the DTV story. It includes English and Spanish language DTV action spots as one part of our overall communications strategy. These spots are closed captioned and include the National Telecommunications and Information Administration's (NTIA) toll free number.

III. The Road Ahead - Over $697 Million and 98 Billion Impressions

Recently, NAB engaged Starcom MediaVest Group as a strategic partner to help construct the DTV marketing plan and quantify the reach of our education initiatives. Starcom MediaVest Group is the largest media services organization in the country, responsible for more than $16 billion in media spending annually. Using their proprietary, state of the art software program – Tardiis – Starcom MediaVest Group was able to calculate approximate impressions and valuations of the consumer education campaign.

Starcom MediaVest Group, along with NAB, created a dynamic, multi-channel communication plan that will reach virtually every American adult with sufficient frequency to alert and educate them of the impending transition to digital television. The plan was officially launched on October 15, 2007 and, according to Starcom, is projected to be worth an estimated $697 million. Please see the attached outline of this plan (Attachment A). The multi-platform, multifaceted campaign marks the latest phase of the industry's DTV consumer education initiatives, which began in earnest in late 2006.

The combined elements of the DTV campaign will reach nearly all television viewers and generate 98 billion audience impressions[2] during the course of the campaign, which will run through February 17, 2009, when all full-power television stations must turn off their analog signals and begin broadcasting exclusively in the digital format. And to date, all of the broadcast networks and 112 companies and groups representing 1,071 stations have dedicated themselves to making this campaign a success. Please see the attached list of companies (Attachment B). More are joining the effort every week. Together, we will work to inform every American about the transition and the steps individuals must take to ensure they can watch their favorite programs on February 18, 2009.

The plan fully leverages all of the assets of the member stations, including commercial inventory, online offerings, community events, talent and outdoor advertising. Many facets of the campaign have already begun, with encouraging results.

Specialists in media planning and buying, public relations and event marketing have developed programs that will surround the TV viewing public with informative communications, many of which will be hands-on in nature.

NAB has already crafted communications materials, including:

• DTV Action Spots, in English and Spanish;

• Video packages for the stations and their news departments, including B-roll footage and other graphic elements that can be used by the stations in the development and editing of their stories regarding the digital transition;

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[2] Impressions: The number of times an advertising schedule is seen over time. The number of gross impressions may exceed the size of the population since audience members may be duplicated. Webster, James G., Phalen, Patricia F. and Lichty, Lawrence W. (2000). Ratings Analysis The Theory and Practice of Audience Research (2nd ed.) Mahwah, NJ: Lawrence Erlbaum Associates.

• Tool kits for federal and state policy makers, which include:
(1) A PowerPoint presentation on the DTV transition;
(2) A newsletter insert for newsletters in English and Spanish;
(3) A DTV handbill in English and Spanish;
(4) A consumer resource guide in English and Spanish;
(5) A sample press release in English and Spanish;
(6) A sample Op Ed on the DTV transition;
(7) Key points on DTV;
(8) Banner Web site ads that may be linked to the broadcasters consumer-friendly DTVanswers.com Web site;
(9) A sample speech on DTV; and
(10) DTV background sheet.

These have been mailed to all members of Congress, gubernatorial offices, lieutenant governors, leadership of state houses, all state aging directors, state municipal association executive directors and state county association directors (including U.S. Territories).

• In the coming weeks, NAB will be sending out toolkits to all 7,200 state legislators, all secretaries of state and the mayors of the top 100 populated cities. Please see attached sample letter sent with each tool kit and accompanying materials (Attachment C).

• Brochures and collateral materials that have been distributed through coalition partners and at trade shows.

We encourage all members of Congress to post DTV transition information on their congressional Web sites and newsletters, hold town hall meetings to discuss the digital switch and use your platform as a member of Congress to help educate your constituents. Your local broadcasters can be a great resource during this time.

Additionally, the above materials are being produced and delivered to all of NAB's 1,169 member stations so that they can further educate their viewers. As we speak, DTV Action Spots are running on stations all across the country, and in prime time.

NAB has also made these materials available to non-member commercial and non-commercial stations as well. NAB will also produce a 30-minute educational program ready for airing on local stations.

In order to seed the campaign message, member stations and networks have committed to a comprehensive program of DTV action spots, air time and other on-air features. The program is based upon a combination of quarterly DTV action spot commitments, airing of 30-minute educational programs, airing of informational messages through crawls, snipes and news tickers, and other impactful features, such as a 100 day "count down" program to be included in all local news broadcasts.

Word-of-mouth and other techniques that can spread the word "virally" are critical for the success of educational campaigns. NAB has developed a program of grassroots initiatives that will provide community-level activities to drive the message home. NAB has already recruited a 730-person speaker's bureau for an anticipated 8,000 speaking engagements to local high schools, senior centers, and other groups at the local level. In fact, more than 250 speaking engagements have already been booked. In addition, two customized tour trucks, designed to look like a television on wheels, will be criss-crossing the country, stopping at more than 600 local events in over 200 markets. Hands-on education and instruction regarding digital converters will be conducted at these events.

NAB has also helped form the DTV Transition Coalition with the National Cable & Telecommunications Association (NCTA) and the Consumer Electronics Association (CEA) that now boasts over 170 organizations to help get the word out regarding the digital transition. Please find attached a list of these members (Attachment D). Each of

these organizations has agreed to utilize their existing communications materials to communicate the news of the transition to their membership. Moreover, NAB's DTV staff has been teaming with coalition partners to exhibit and distribute information at their annual conferences and trade shows. These grassroots efforts will be extremely important to provide further context to the transition message and will enhance the understanding of the on-air campaign. Starcom endorsed these efforts, recognizing that they will provide incremental activities to some of the disproportionately affected groups: senior citizens, minority populations, lower-income constituents and rural populations. Media coverage of the transition story, in addition to coverage of many of the grassroots components, is anticipated to be significant. This transition affects many Americans and is duly newsworthy. To make sure that the DTV transition is being covered both accurately and ubiquitously by America's reporters, NAB has briefed reporters from major news organizations and plans to facilitate reporter briefings in all 50 states. NAB will push local news "hooks" into stories in major metro areas, suburban areas and into the heartland. We anticipate significant news coverage across local television, radio, newspaper and TV, as well as radio and newspaper Web sites. As the media marketplace continues to evolve to meet consumer needs, we will leverage stations outdoor and online assets.

Starcom proposed that a combination of streaming and display advertising be donated on the station's Web sites to support the transition campaign. Significant exposures are anticipated from this component of the campaign, extending the overall reach of the message.

Finally, paid media will be utilized to supplement activities in key markets where public awareness of the transition lags. Newspaper activities, efforts at public transportation hubs and at key retailers have been recommended in these areas.

NAB's plan will drive the message of digital transition across numerous consumer media touch-points. By engaging consumers via television, in the news media, online, through outdoor efforts and in direct, grassroots events, the message will be seeded and communicated much more effectively than through television advertising alone.

Despite the comprehensive nature of this multiplatform campaign, the value of this effort is a very conservative estimate, given that many elements that will be utilized to reach consumers were not included in the impression and value quantification. The more than $697 million value of this multi-faceted television campaign does not even take into account the broad reach of other platforms that television broadcasters will utilize to reach all consumers with information about the transition to digital television. Not included in the campaign valuations is the invaluable reach of local news programming. Numerous local television news teams throughout the country will be covering the transition to digital as part of their effort to ensure their viewers are aware of news that personally affects their day to day activities. In addition to this, broadcasters will be working with their network and syndication partners to include messages about the digital transition in story lines and content of the most popular television shows.

Broadcasters will also be working with their counterparts at college television and radio stations to ensure messages about the mandatory upgrade to digital penetrate all

audiences. Radio broadcasters will also join the effort to educate America's consumers about the transition to digital television.

NAB will harness the power of outdoor media by working closely with companies such as CBS, Clear Channel and other outdoor media providers to reach consumers with information about the transition and drive them to the Web site: www.dtvanswers.com for additional information in preparing to upgrade.

The more than $697 million effort will reach into every corner of this nation, and will ensure that come February 2009, no consumer is left behind in the analog era. We are 100 percent committed to this campaign. And we welcome your ideas to make it more effective. We believe that a plan that relies on a public/private partnership is the best method to ensuring a smooth transition.

IV. Commitment with Accountability

Broadcasters understand that policymakers share our concern about the upcoming transition. For that reason, we want to make clear that ours is a commitment with accountability. The education approach I have outlined above is aggressive and comprehensive. It also includes an element of flexibility necessary to ensure effectiveness. And, we believe that it is the best way to achieve our mutual goal of a successful transition.

Given the immense differences between communities across the country, it is imperative that broadcasters utilize a number of different tools to educate their viewers about the transition to digital. No one-size-fits-all approach to consumer education could efficiently educate viewers whose composites differ from market to market. Moreover,

no one knows how to reach television viewers about their viewing experience better than their local broadcasters. This education initiative is an important part of broadcasters' ongoing commitment to our viewers and our communities.

We want to work with policymakers. To that end, we will commit to report our progress on the education campaign through the NAB on a quarterly basis. We will also work with and coordinate our efforts with you and the FCC to modify adopt changes to our plan, as needed, to ensure that consumers are fully informed about the transition and what they need to do.

V. Don't Jeopardize the Transition to Digital Television with Unlicensed Devices in the Television Broadcast Spectrum

We caution that opening up the digital broadcast spectrum to portable, unlicensed devices at this time would turn the DTV transition on its head. It could create unacceptable interference—as the FCC's recent technical tests suggest. We are deeply concerned that allowing these devices in the television band will jeopardize the success of the transition and interfere with digital television reception. It would be unfair to consumers to jeopardize the transition. Some Silicon Valley companies want to allow millions of portable, unlicensed transmitting devices to operate on television frequencies without a license. Consumers deserve better. Policies to facilitate the fullest and most efficient use of the digital spectrum and the deployment of rural broadband are, indeed, appropriate. However, I believe you will agree those policies must be fully developed and the equipment must be tested in the field under "real world conditions" to assure that new devices operating in this spectrum will not endanger viewer reception of digital television. It would be premature to authorize these devices until the testing confirms that

they work in "real world conditions," the digital transition is complete, and viewers have new reception equipment in place to receive digital television signals.

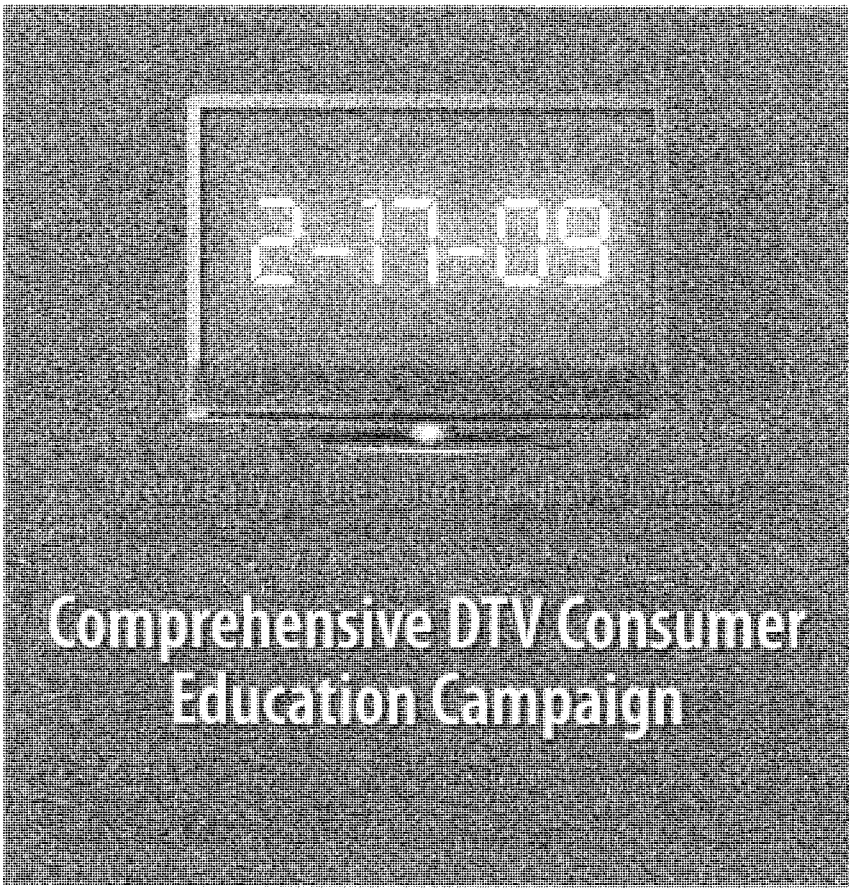
VI. Conclusion

In conclusion, I emphasize, again, that no one has a greater stake in a successful DTV transition than we, as broadcasters. It would be a disservice to the American people for you, the FCC, or our industry to jeopardize the transition. We assure you we, as broadcasters, will spare no effort to fully inform our viewers about the transition. We urge Congress and the FCC to move carefully and cautiously to protect the technical integrity of the digital spectrum and assure that television reception will not be impaired by other spectrum users. Our interests are aligned with yours. We fully understand the timelines and importance of our mutual challenge. We don't want to lose a single viewer in the transition, and we do not intend to.

I leave you with four final thoughts: One, broadcasters are fully committed to ensuring that no consumer—no viewer anywhere—is left uninformed about the DTV transition. Two, broadcasters accept their responsibility for a massive, unprecedented on-air consumer DTV information and education campaign. Three, we stand ready to work in partnership with Congress and the FCC for additional ideas and efforts to ensure that the transition on February 17, 2009, is seamless. And four, we urge Congress to protect, for consumers, the technical integrity of the new digital television service and defer the authorization of new uses of the spectrum until Congress is assured that digital television reception will not be impaired.

Chairman Markey, Ranking Member Upton, and Members of the Subcommittee, thank you for inviting me to participate in this hearing, and I am happy to answer any questions.

Attachment A



DTVAnswers.com

An initiative of the National Association of Broadcasters.

Overview

DTVAnswers.com

An initiative of the National Association of Broadcasters

The National Association of Broadcasters (NAB), in a coordinated effort between local television stations across the country and their network partners, have put forth an unprecedented consumer education marketing effort to reach television viewers with information about the February 17, 2009 transition from analog to digital television (DTV).

Ensuring that all viewers are prepared when the federally-mandated switch to digital-only broadcasting occurs is a top priority of all television broadcasters, networks and the premiere advocacy organization that represents them in Washington, D.C. – the National Association of Broadcasters.

Consumers have much to gain with the transition to digital television, including crystal clear pictures and sound and a variety of new services, ranging from additional free broadcast channels to advanced data services. But millions of households that rely on free, over-the-air broadcast signals risk losing television reception unless they take steps to upgrade.

Since late 2006, efforts to educate consumers have been underway, spearheaded by an NAB team dedicated solely to digital transition education. In the second phase of this critical effort, broadcasters and networks are unveiling a multi-platform, multifaceted marketing effort to complement the variety of other initiatives dedicated to educating consumers about the nation's switch to digital broadcasting.

With the immense amount of activity broadcasters and their network partners are undertaking to educate consumers on the transition, NAB engaged Starcom MediaVest Group as a strategic partner to help construct the plan and quantify the reach of these initiatives. Starcom MediaVest Group is the largest media services organization in the country, responsible for more than $16 billion in media spending annually. Using their proprietary, state of the art software program – Tardiis – Starcom MediaVest Group was able to calculate approximate impressions and valuations of the consumer education campaign. Given the immense differences between communities across the country, it is imperative that broadcasters utilize a number of different tools to educate their viewers about the transition to digital. A one-size-fits-all approach to consumer education can not efficiently educate viewers whose composite differs from market to market. No one knows how to reach television viewers about their viewing experience better than their local broadcasters. This education initiative is an important part of broadcasters' ongoing commitment to their viewers and their communities.

October 15, 2007

David K. Rehr, Ph.D.
President and CEO
National Association of Broadcasters
1771 N Street, NW
Washington, DC 20036

Dear David:

On behalf of Starcom MediaVest Group, I'd like to thank the National Association of Broadcasters for trusting us with the important task of counseling the NAB on the best approach for informing and educating the U.S. television viewing public of the impending switch from analog to digital television.

Starcom MediaVest Group is the largest media services organization in the country, responsible for more than $16 billion in media spending annually. We are honored to serve some of the largest and most dynamic marketers in the country, including General Motors, Procter & Gamble, Coca-Cola and Kraft, just to name a few.

Given the rapidly changing media landscape, smart marketers today rely on multi-communications platforms for reaching their target audiences. Sophisticated marketers realize that consumers are increasingly elusive, and relying solely on one medium is rarely sufficient for delivering their messages. This modern philosophy goes by many names, including "holistic planning", "channel planning", or any number of industry terms. But the driving principle is consistent: it is important to engage consumers across numerous media elements in order to effectively communicate a message.

The multi-platform marketing plan that the NAB has developed with the help of Starcom to communicate this important initiative embraces the principles of multi-channel communications. It utilizes the broadcasters' commercial inventory, along with their digital assets. It includes place-based and outdoor media. It utilizes grassroots elements at the local level. It also includes significant public relations efforts that will deliver considerable coverage in newspapers, on television and radio and online. There will also be numerous word-of-mouth and "viral" efforts that will spread the message throughout the community.

On behalf of Starcom MediaVest Group, I fully endorse the multifaceted approach being taken by NAB.

Best regards,

Renetta E. McCann

Renetta McCann
Global CEO
Starcom MediaVest Group

Executive Summary

DTVAnswers.com

An initiative of the National Association of Broadcasters

Background

As mandated by the Deficit Reduction Act of 2005, all full-power television stations must cease analog transmissions on February 17, 2009 and begin transmitting in a digital-only format.

In preparation for this transition, the National Association of Broadcasters (NAB) has developed a comprehensive communications and education campaign. The purpose of this campaign is to alert the U.S. television viewing public of the impending shift and to inform them of the measures they need to take in order to ensure that they will be prepared to receive television broadcasts once the transition takes place.

Currently, there are 19.6 million U.S. households that receive over-the-air, broadcast-only signals, equating to 17 percent of total U.S. households. There are, on average, 2.27 TVs in these households, or approximately 45 million televisions. In addition, there are an estimated 24 million broadcast-only televisions in households that also have cable/satellite/internet connections. In total, nearly 69 million televisions would be affected.

The NAB has engaged Starcom MediaVest Group (SMG) as counsel in the development of this marketing campaign. Starcom MediaVest Group is the largest media services organization in the United States, representing dynamic advertisers such as General Motors, Procter & Gamble and Coca-Cola in the development of their strategic marketing programs.

Plan Overview

SMG, along with the NAB, has developed a dynamic, multi-channel communication plan that will reach virtually every American adult with sufficient frequency to alert and educate them of the impending transition to digital television. The plan fully leverages all of the assets of the participating stations, including commercial inventory, online resources, community events, talent and outdoor advertising.
A soft-launch of the campaign is underway, with encouraging results. While NAB and many broadcasters have already begun valuable education efforts, the next phase of this comprehensive plan began in earnest October 2007.

NAB has made a significant investment in staff, having hired a five-person, full-time staff dedicated exclusively to DTV transition consumer education. The staff has already utilized outside experts to conduct significant consumer research, in the form of surveys and focus groups to find out as much as possible about the universe of American over-the-air, broadcast-only viewers. NAB has also visited and opened dialogues with officials running respective DTV campaigns in the United Kingdom, Sweden, Austria and Belgium to ascertain how European nations are running their transition campaigns. NAB's plan is based upon solid consumer understanding, demographic and viewership knowledge and the experience of other global nations.

NAB has developed and is supporting *www.DTVanswers.com*, a comprehensive Web site, which is a resource to educate consumers, journalists and opinion leaders about the DTV transition. The Web site address will be included in all communications materials. In addition, for those constituents who prefer telephone contact, there is a government sponsored (800) number phone line resource for information as well.

NAB has engaged SMG, along with several other leading communications firms, to aid in the development of their plan. In addition, NAB is working with specialists in media planning and buying, public relations and event marketing to

develop programs that will surround the TV viewing public with informative communications, many of which will be hands-on in nature.

NAB has already developed communications materials, including:

- DTV Action Spots in English and Spanish
- Video packages for stations' news departments, including B-roll footage and other graphic elements that can be used to develop and edit stories regarding the digital transition
- Toolkits for federal and state policy makers, complete with presentations and Web banners
- Brochures and collateral materials that have been distributed through coalition partners and at trade shows

The above materials are being produced and delivered to all of NAB's 1,169 member television stations. In addition, NAB made these materials available to non-member commercial and non-commercial stations as well. NAB will also produce 30-minute educational programs for local stations.

In order to seed the campaign message, SMG has instructed NAB to recommend to its member stations and networks a comprehensive program of DTV Action Spots, air time and other on-air features. The program is based upon a combination of running quarterly DTV Action Spots and airing of the 30-minute educational programs and informational messages through crawls, snipes, news tickers and other impactful features, such as a 100-day "count down" program to be included in all local news broadcasts.

Word-of-mouth and other techniques that can spread the word "virally" are critical for the success of educational campaigns. NAB has developed a program of grassroots initiatives that will provide community-level activities to drive the message home. NAB has already recruited a 700-person speaker's bureau for an anticipated 8,000 speaking engagements at venues all across the nation, including local chambers of commerce, senior centers and civic clubs. Two customized tour trucks, designed to look like televisions on wheels, will be crisscrossing the country, stopping at more than 600 local events in over 200 markets. Hands-on education and instruction regarding digital converters will be conducted at these events.

In addition, NAB has formed a coalition with 170 organizations, such as AARP and National Council of La Raza (NCLR), to help get the word out regarding the digital transition. Each of these organizations has agreed to utilize their existing communications materials to communicate the news of the transition to their membership. Additionally, NAB's DTV team has been teaming with coalition partners to exhibit and distribute information at their annual conferences and trade shows.

These types of grassroots efforts will be extremely important to provide further context to the transition message and will enhance the understanding of the DTV Action Spot television campaign. SMG endorses these efforts, recognizing that they will provide incremental activities to some of the disproportionately affected groups: senior citizens, minority populations, lower-income constituents and rural populations.

Media coverage of the transition story, in addition to coverage of many of the grassroots components, is anticipated to be significant. This transition affects many Americans and is duly newsworthy. NAB has a full-time media relations staff member whose sole purpose is to make sure that the DTV transition is being covered both accurately and ubiquitously by America's reporters. NAB has briefed reporters from major news organizations

and plans to facilitate reporter briefings in all 50 states. With the aid of NAB's public relations agency, Crosby Volmer International Communications, NAB will push local news "hooks" into stories in major metro areas, suburban areas and in the heartland. We anticipate significant news coverage across local television, radio and newspapers, as well as their Web sites.

As the media marketplace continues to evolve to meet consumer needs, the member stations of NAB have developed significant assets beyond just their commercial inventory. The members have significant online assets that they can bring to bear for this program. In addition, some members also have significant outdoor advertising assets that will be utilized to communicate the transition message.

SMG has proposed that a combination of streaming and display advertising be donated on the stations' Web sites to support the transition campaign. Significant exposures are anticipated from this component of the campaign, extending the overall reach of the message.

Finally, paid media will be utilized to supplement activities in key markets where public awareness of the transition lags. Advertisements in newspapers, at public transportation hubs and at key retailers have been recommended in these areas.

Plan Delivery

NAB's plan will drive the message of the DTV transition across numerous consumer media touchpoints. By engaging consumers via television, in the news media, online, through outdoor efforts and in direct, grassroots events, the message will be seeded and communicated much more effectively than through television advertising alone.

SMG has quantified and estimated the overall delivery of this campaign utilizing the agency's industry-leading tools. SMG projects that virtually the entire U.S. adult population will be exposed to these messages.

It is the opinion of Starcom MediaVest Group that this is a dynamic, multi-channel communications program that will be effective in communicating the digital transition to the U.S. population.

DTV Consumer Campaign Overview

DTVAnswers.com

An initiative of the National Association of Broadcasters

Television Elements	Impressions (18+)	Reach	Avg. # Frequencies	Dollar Value
DTV Action Spots	23,443,563,000	82.3%	132	$327,474,100
Crawls, Scripes and/or Newsticker s	8,020,135,000	69.5%	53.5	$26,637,500
30-Minute Educational Programs	192,412,000	12.7%	7	$4,191,700
100-Day News Countdown	62,448,458,000	85.8%	337.7	$175,658,200
Newspaper Coverage	1,768,727,000	58.3%	14.1	$2,651,600
Online Newspaper Coverage	466,697,000	13.7%	16.4	$1,062,400
DTV Road Show	1,780,598,000	47.3%	19.2	$7,321,800
DTV Speakers Bureau	1,000,000	1%	1	$2,000,000
Banner Ads on Station Web sites	225,542,000	11.2%	9.1	$457,700
TOTAL	**98,367,141,000**	**93.9%**	**485.4**	**$647,455,000**
Public Television Commitment			+	$50,000,000
TOTAL COMMITMENT = $697,455,000				

About Tardis: *Tardis is a state-of-the-art television optimizer exclusively developed for Starcom MediaVest Group. It harnesses the power of viewing at the program level to provide optimized schedules for individual brands, as well as allocating programs across multiple products. The reach-based, multi-brand optimization and corporate allocation include inventory management and the ability to routinely include qualitative as well as quantitative variables.*

Other Initiatives

DTVAnswers

An initiative of the National Association of Broadcasters

Additional Efforts

Despite the comprehensive nature of this multi-platform campaign, the value of this effort is a very conservative estimate, given that many elements that will be utilized to reach consumers were not included in the impression and value quantification. The nearly $700 million value of this multifaceted television campaign does not even take into account the broad reach of other platforms that television broadcasters will utilize to reach all consumers with information about the transition to digital television.

Local News Coverage

Not included in the campaign valuations is the invaluable reach of local news programming. Local television news teams throughout the country will be covering the transition to digital as part of their consumer awareness efforts.

Utilizing Content

Broadcasters will be working with their network and syndication partners to include messages about the digital transition in story lines and content of popular television shows.

Radio

Radio broadcasters will also join the effort to educate America's consumers about the transition to digital television. NAB will supply stations with DTV Action Spots, as well as scripts for live talent reads. NAB is also providing stations with Web banners and information about the easy steps viewers can take to upgrade to digital.

College broadcasters

Broadcasters will be working with their counterparts at college television and radio stations to ensure messages about the mandatory upgrade to digital reaches all audiences.

Outdoor Media

NAB will harness the power of outdoor media by working closely with CBS, Clear Channel and other outdoor media providers to reach consumers with information about the transition and drive them to *www.dtvanswers.com* for additional information.

Addendum of Definitions

DTVAnswers

An initiative of the National Association of Broadcasters

Campaign Elements

DTV Action Spots: A combination of 10, 15 and 30 second spots running across all dayparts in network, local station and syndication programming encouraging television viewers to take action to prepare for the transition to digital television. Available in English and Spanish.

Crawls, snipes and/or newstickers: DTV messages running across programming on local stations across non-prime dayparts.

30-Minute Educational Programs: NAB-produced educational program on preparing for the DTV transition. Available in English and Spanish to run by stations in selected dayparts.

100-Day Countdown: Local station graphic and/or mention in various news and other programs reminding viewers of the number of days left until the switch to digital on February 17, 2009. *(To begin 100 days prior to the switch.)*

Newspaper print and online coverage: NAB's DTV transition team includes a media relations director and a public relations firm identifying and working with print reporters across the country to promote the DTV transition. Estimates based on newspaper circulation, Web site analytics and CPM estimates.

Road Show "Trekker": NAB's two giant televisions on wheels that will tour the country visiting 600 locations in 200 markets from November 2007 through the transition date. Trekker staff will be on hand to distribute information about the switch to digital television.

Speakers Bureau: NAB's comprehensive speakers bureau, made up of volunteers from the broadcast industry (station management, on-air talent and others) committed to giving presentations to local civic groups and others interesting in learning about the DTV transition. Impressions based on target of 8,000 speaking engagements nationwide expected to reach one million consumers.

Online Banner Ads: NAB has made available online Web banner ads to direct visitors to the comprehensive site – *www.dtvanswers.com* – to prepare for the transition to digital. Estimates based on Web analytics and exposure on local station sites.

Measurement Terms [1]

Gross Impressions: The number of times an advertising schedule is seen over time. The number of gross impressions may exceed the size of the population since audience members may be duplicated.

Reach: The number of unduplicated persons or households included in the audience of a station or a commercial campaign over some specified period. Sometimes expressed as a percentage of the market population.

Frequency: In advertising, the average number of times that an individual is exposed to a particular advertising message.

[1] Webster, James G., Phalen, Patricia F. & Lichty, Lawrence W. (2000). Ratings Analysis: The Theory and Practice of Audience Research (2nd ed.) Mahwah, NJ: Lawrence Erlbaum Associates.

Attachment B

Endorsements

While all broadcasters will be engaged in digital television transition consumer education efforts, the following companies have specifically endorsed this multifaceted campaign and are committed to working with our private and public sector partners to lead the way to ensure that no consumer is left without access to television due to a lack of information about the transition to digital.

Company	Stations Represented
ABC Owned Television Stations	10
ABC Television Network	
ACME Communications	7
Allbritton Communications Company	8
Arkansas Educational Television Network	6
Bahakel Communications Television	6
Banks Broadcasting	1
Barrington Broadcasting Group	17
Belo Corporation	19
Block Communications Inc.	5
Bonneville International/KSL TV	1
Bonten Media Group	8
California Oregon Broadcasting	3
Capitol Broadcasting Co., Inc.	4
CBS Television Network	
CBS Television Stations	29
Chambers Communications Corp.	4
Channel 2 Broadcasting Co, KTUU-TV	1
Citadel Communications Co., Ltd.	4
Clear Channel Television (pending to Newport Television)	36
Commonwealth Public Broadcasting Corp.	5
Cordillera Communications	11
Cox Television	14
CW Network	
Davis Television	1
DayStar Television Network	11
Dispatch Broadcast Group	2
Diversified Communications	2
Drewry Group	5
Duhamel Broadcasting Entprses.	4
Emmis Communications Television	1
Entravision Communications Corp.	17
Equity Broadcasting Group	18
EW Scripps Company	10
Fisher Broadcasting	12
Fox Television Network	
Fox Television Stations Inc.	37
Freedom Communications	9
Gannett Broadcasting	23
Georgia Public Broadcasting	9
Granite Broadcasting Corporation	10
Gray Television	33

Griffin Communications	3
Hearst-Argyle Television, Inc.	36
Heritage Broadcasting Co.	2
Hoak Media, LLC	15
Hubbard Broadcasting	13
ION Media Network	
ION Media Network Television Stations	56
Iowa Public Television	8
Journal Broadcast Group	9
Landmark Communications	2
Lilly Broadcasting, LLC	2
LIN TV Corporation	32
Lincoln Financial Media	3
Lockwood Broadcasting	3
Malara Broadcast Group	2
Maryland Public Broadcasting	5
Max Media LLC	9
McGraw-Hill Broadcasting Group	4
McKinnon Broadcasting, Inc	3
Media General Broadcast Group	21
Mel Wheeler, Inc.	2
Meredith Corporation Broadcasting Group	12
Morgan Murphy Media	5
Morris Multimedia Inc.	5
My Network TV	
NBC Universal Television Network	
NBC Universal Television Stations	12
Nebraska Educational Telecommunications Comm	8
News-Press & Gazette	6
NexStar Broadcasting Group, Inc.	31
Northern California Public Broadcasting Inc	3
Northwest Broadcasting, Inc.	5
Oklahoma Educational TV Authority	4
Oregon Public Broadcasting	5
Pappas Telecasting Companies	17
Post-Newsweek Stations, Inc.	6
Prime Cities Broadcasting	2
Prime Time Christian Bcstg Inc	5
Quincy Newspapers, Inc.	11
Ramar Communications	4
Raycom Media, Inc.	35
Red River Broadcast Company LLC	7
Rogers State University Public TV	1
Saga Communications, LLC	3
Sagamore Hill Broadcasting	8
Sarkes Tarzian Television	2
Schurz Communications, Inc.	9
ShootingStar Broadcasting	1
Sinclair Broadcast Group	51
SJL Broadcast Management Corp	10
South Carolina ETV Commission	11
Southeastern Media Holdings LLC	3

Southern Broadcast Corporation	3
Sunbeam Television Corporation	3
Sunbelt Communications Company	15
TCT Ministries	5
Telemundo Group, Inc.	15
Telemundo Network	
The Victory Television Network	3
Tribune Broadcasting Company	24
Trinity Broadcasting Network	24
United Communications Corp.	2
Univision Communications, Inc.	40
Univision Network	
West Virginia Educ. Bcg. Auth.	3
West Virginia Media Holding	4
Wilson Broadcasting	1
Withers Broadcasting	3
Woods Communications	2
Young Broadcasting, Inc.	9
Total	1071

Endorsements received as of 10:30 a.m. ET October 29, 2007.

Attachment C

David K. Rehr
President & CEO
1771 N Street, NW • Washington, D.C. 20036-2800

October 22, 2007

The Honorable Sarah Palin
Attention: Mike Tibbles, Chief of Staff
Office of Governor Sarah Palin
State Capitol, P.O. Box 110001
Juneau, AK 99811-0001

Dear Governor Palin:

A law passed by Congress in 2006 will dramatically impact the way 42,620 Alaska residents view television, starting in 2009.

Television will change dramatically on February 17, 2009, when television stations across the country complete the federally mandated transition from analog to digital television (DTV) broadcasting. And while consumers have much to gain – including more free channels and the crystal clear pictures and sound of digital – 42,620 Alaska households that receive television through antennas risk losing television reception unless they take easy steps to upgrade.

Those most disproportionately affected by the DTV transition will be older Americans, minority populations, the economically disadvantaged and those living in rural areas.

The National Association of Broadcasters (NAB) is taking the DTV transition very seriously, and television stations across the country are meeting the challenges of the transition head on. Our member stations have spent over $5 billion updating their equipment and infrastructure to prepare for the transition. In fact, over 92 percent of full power television stations are already broadcasting in digital. But consumer awareness about the transition lags.

As governor, you have a unique platform to help inform and educate your constituents about the DTV transition. To that end, NAB has developed a tool kit to help explain the transition to your constituents. All of the information is available electronically and contained on the disc inside this packet. The disk includes:

(1) A PowerPoint presentation on the DTV transition that can be used during a town hall meeting or any gathering of your constituents;
(2) A newsletter insert for newsletters in English and Spanish;

(3) A DTV handbill in English and Spanish;
(4) A consumer resource guide in English and Spanish;
(5) A sample press release in English and Spanish;
(6) A sample Op Ed on the DTV transition;
(7) Key points on DTV;
(8) Banner Web site ads that may be linked to the broadcasters consumer-friendly DTVanswers.com Web site;
(9) A sample speech on DTV; and
(10) DTV background sheet.

NAB has launched an aggressive consumer education campaign to help consumers learn more about making the easy transition to digital. The DTVanswers.com Web site is the most comprehensive and consumer-friendly site currently available on the subject, providing visitors with a variety of helpful resources. In order to help educate your constituents about the DTV transition, please recommend that they visit the DTVanswers.com site. To assist in this effort, the toolkit contains banner ads that you can place on your Web site to link to the site.

I believe that we have an exciting challenge ahead of us, ¬and I welcome any input you may have about how we can best reach citizens with our message to ensure a successful transition to digital on February 17, 2009. For more information on the DTV transition, I encourage you to contact Vinnie Mascarenhas, NAB's director of external relations for DTV, at (202) 429-5358 or vmascarenhas@nab.org.

Best wishes.

Sincerely,

David K. Rehr

David K. Rehr

cc: Darlene Simono, President & CEO, Alaska Broadcasters Association

5 minute speech

How many times throughout your entire lifetime have you watched TV? Think about the role it plays in your life.

You probably watched it today. If not, you probably caught at least a glimpse.

You probably talk about your favorite sitcoms with your co-workers on a regular basis.

You probably discuss the latest TV newscast over dinner with your family.

And you've probably watched your favorite sports team on television at home or with your friends at your favorite bar.

Well, what if I told you that TV as you know it will be obsolete in 2009?

And what if I told you that everyone in this audience who receives free over the air TV could get dramatically clearer pictures on their TV?

What if I told you that all of your television sets can have better sound quality?

What if I told you that you that each and every one of you can be eligible for more TV channels than you get today?

On February 17, 2009, that's exactly what's going to happen.

Television as you've known it your entire life will change.

On this date, we will—as a nation—make the switch to Digital TV, or DTV.

I want to thank all of you for inviting me here today to speak about the revolution that's about to take place in the way we view television.

I am proud to speak to you on behalf of ***your*** station today.

Take a minute to briefly talk about your station and its contributions to the community.

So why the switch to digital television?

Because DTV was mandated by Congress in 2005. They recognized that digital television offers improved pictures and sound, and is more efficient and more flexible than traditional analog broadcast technology.

Plus, it gives viewers who own HD TV sets the option of receiving free over the air HDTV, which offers crystal-clear pictures.

It will also allow stations to broadcast multiple programs simultaneously, instead of broadcasting only one channel at a time as they do now.

That means a local station could broadcast an all-weather channel, an all-traffic channel, or an all-sports channel, in addition to their normal news broadcasts.

This is known as "multicasting," and it has the potential to change TV as we know it.

Historically, television has been broadcast in analog format. Many TV's get their reception through rooftop antennas or "rabbit ears", which pick up these analog broadcasts.

On February 17, 2009, all analog broadcasts will be upgraded to digital.

What does this mean for you and your family?

Who will be affected?

It means that if you currently get free broadcasts through rooftop "rabbit ears" antennas, you may lose your reception after the switch.

Imagine. You wake up on February 17, 2009 and turn on your favorite morning show, and you get nothing but static.

This could happen to viewers all across the U.S.

But you can take one of three steps to make sure this does not happen to you.

The first simple step you can take is to purchase a DTV converter box that will convert the digital signal into an analog format. This way you can watch digital broadcasts on your existing analog television set.

Converter boxes are simple and user-friendly.

The National Telecommunications and Information Association (NTIA) has created a voucher program for consumers who need a converter box.

Each household is eligible to receive two $40 coupons to be used toward the purchase of new converter boxes.

Converter boxes will be available for purchase at many electronic retailers beginning in 2008.

Each coupon can be used toward one converter box.

The second step you can take is to purchase a new television with a digital tuner.

The third option is to subscribe to a paid cable, satellite, or telephone television service such as FIOS.

If you already subscribe to one of these, you should not be affected by the switchover. You will continue to receive programming after February 17, 2009, as you do today.

If you have purchased a new HD or LCD screen television lately, you are already receiving digital TV.

In fact, all TV's manufactured after March 1, 2007 are required have digital turners built in, but make sure you check with your local retailer, or check your user's manual to be certain.

If you go out and purchase a new television set, be sure and specify to your retailer that you need a digital tuner.

Even though new televisions are required to have digital tuners, some older analog TV's may still be on shelves.

Many of you may be 100% prepared for the switch.

But I suggest you take a minute and make a mental note of all the televisions in your house.

Think about TV sets in your basement, kitchen, or bedroom. Do you have a second home? A beach house? A cabin?

Think about televisions you have that may not be used often. Ask yourself whether they need to be upgraded to DTV.

It's estimated that about 19.6 million households are receiving only analog broadcasts.

An additional 15 million more households have at least one analog TV set.

Here in *insert your state*, there are approximately *insert number of* households that receive free over-the-air broadcasting through rabbit ears or a roof top antenna. If these households do not take the steps to upgrade they will lose television reception on February 17, 2009.

We want to ensure every last TV is equipped for the transition, and every person across this country is prepared.

But in order to do this, we need your help.

We need you to take this mission to your friends and family members so we can meet our goal of reaching every last household here in America.

I urge you to start preparing yourself, your family, your neighbors, and your friends today for the DTV transition.

We want everyone to be able to enjoy their favorite morning show, soap opera, sitcom, drama, news show, or reality show on February 18, just as they do today.

If you have any questions we have a few minutes left. (5 minutes for questions)

Brief Q&A with audience.

If there are any questions I have not answered I will be leaving some reading materials in the back of the room for you to take home, and I encourage you to visit www.DTVanswers.com for more information.

15 minute speech

We are embarking on an unprecedented revolution in the way we view television.

What we are about to experience is a milestone change. It will impact an entire industry in the way that the assembly line forever changed the way we manufacture.

The way that forsaking trains for airplanes changed the way we get from point A to B.

The way that switching to color television and color movies changed the way we are entertained.

I am talking about the switch to digital television, and it is going to happen on February 17, 2009.

I want to thank you very much for inviting me to speak to you today.

Spend a few minutes introducing yourself and provide background on your station and its role in the community.

Think about how many times you watched TV today. Or even caught a glimpse of what was on the tube.

What if I told you that this broadcast will be obsolete in 2009?

And what if I told you that everyone in this audience who receives free over the air TV could get dramatically clearer pictures on their TV?

What if I told you that all of your television sets can have better sound quality?

What if I told you that you that each and every one of you can be eligible for more TV channels than you get today?

I'm guessing you'd like that.

On February 17, 2009, that's exactly what's going to happen.

Television will no longer be broadcast the way it was when you and I, our parents, and even our grandparents grew up.

On this date, we—as a nation— will make the switch to Digital TV, or DTV.

The transition to DTV will be the single most significant advancement in television since the color TV was invented in the 1950's.

We will experience a dramatic change in the way our favorite television shows are broadcast.

Historically, stations have broadcast through analog signals. Televisions have picked up these analog signals through analog tuners or rooftop antennas—the archaic looking ones that resemble "rabbit ears."

On February 17, 2009, all of these analog signals will be upgraded to digital signals.

Why the upgrade to digital? How will this revolutionize television as we know it?

Congress mandated the switch by passing a law in 2005, and they set the date for February 17, 2009.

They recognized that DTV will give us dramatically improved pictures and sound, and that it is more efficient and more flexible than the traditional analog broadcast technology.

Plus, it gives viewers who own HDTV sets the option of receiving free over the air HDTV, which offers crystal-clear pictures.

It will also allow stations to broadcast multiple programs simultaneously, instead of broadcasting only one channel at a time as they do now.

That means a local station could broadcast an all-weather channel, an all-traffic channel, or an all-sports channel, in addition to their normal news broadcasts.

This is called "multicasting," and it has the potential to change TV as we know it.

Digital television was first introduced in the 1990's when everything was becoming digitized. In the 1990's our music, our cell phones, our movies, they all went digital.

Many TV stations followed suit and began airing their broadcasts in both digital and analog formats.

Considering how far technology has come, it's surprising that we're still broadcasting in analog format.

This is a technology we've been using for over 80 years!

80 years ago we had no internet, no computers, no faxes, no color TV. Many households didn't even have electricity!

Yet millions of households across the country are still receiving analog broadcasts through their "rabbit ears."

In fact, it's estimated that about 19.6 million households are receiving only analog broadcasts.

An additional 15 million more households have at least one analog TV set.

There are about 64 million analog television sets still being used across the country.

Here in ***insert your state***, there are approximately ***insert number*** households that receive free over-the-air broadcasting through rabbit ears or a roof top antenna. If these households do not take the steps to upgrade they will lose television reception on February 17, 2009.

Because Congress made this transition the law, I want to make sure that no viewer or no television set is left behind come February 17th, 2009.

You remember Y2K. It sounded overwhelming at first.

But when we finally got there, everyone was prepared, and life went on exactly as it did before.

Many of you might already be prepared for the DTV transition.

So how do you know if you're digital ready?

How can you be 100% prepared for the transition?

If you have purchased a new TV recently, there's a good chance your TV has a digital tuner, capable of receiving digital signals. You need to ask your retailer, check your user's manual, or visit the manufacturer's website to be certain.

All TVs manufactured after March 1, 2007 are required have digital turners built in, but analog TV's are still on shelves. That's why it's important you do a little homework to make sure your TV is digital.

If you subscribe to a paid cable, satellite, or telephone television service such as FIOS, you are already receiving digital cable. If you need more information or have any questions about these services, be sure contact your service provider.

If you don't meet any of these criteria, then you can follow one of three simple steps that will ensure you won't wake up on February 18 to static instead of your favorite morning show.

One of these steps is to purchase a converter box from your local electronic retailer, similar to the one I have here on display.

The converter box converts the new digital signal back into analog format.

That way you can view digital signals on your analog TV set.

They are extremely user-friendly. They are manufactured by a handful of vendors and will be available beginning in January of 2008.

The National Telecommunications and Information Administration (NTIA) has created a voucher program to provide financial assistance to consumers who need converter boxes.

Every household will be able to apply for up to two coupons, worth $40 a piece.

These coupons must be redeemed within three months. They will be available in early 2008, and you must register with the NTIA to receive the coupons.

Each coupon can be used toward one converter box.

For example, if you are married, you and your spouse cannot combine your respective $40 dollar vouchers, put them toward a $60 converter box, and then keep the change.

Just one coupon per box will be permitted.

You may be wondering whether or not you need a converter box, so, keep in mind that you may have some televisions sets in your homes that are DTV already, and some that are not.

Do you have TVs in your basement? Bedroom? Kitchen? Do you have a second home? A beach house? A cabin?

Make a mental note of where your televisions are, and think about whether or not they are DTV ready.

Do they use an antenna? Is it an older model TV? If so, chances are you will need a converter box.

If the TV is new and equipped with a digital tuner, then you may not need the converter box.

Which brings me to the second option, which is to purchase a new television with a digital tuner.

And remember, it's important that you specify to your electronics retailer that you want a TV that has a digital tuner capable of receiving digital signals.

Paid cable, satellite, or telephone television services will all ensure you will get your broadcasts on February 18, 2009.

Your third option is to go out and simply subscribe to paid cable, satellite, or phone service broadcasts.

While the goal of getting every household in America ready for the digital transition may seem a little ambitious, the switch to digital that the U.S. is making in 2009 is not unique.

The transition to digital television is a global movement.

Many nations have already completed their own switchover, and several European countries have set a switchover date that is earlier than ours.

The need to switch to digital is a universally accepted necessity, and you have the ability to be completely prepared for it.

Remember, if you want to watch your favorite morning show, soap opera, sitcom, drama, or news show on February 18, you need to take one of 3 steps:

ONE—Purchase a converter box. Purchasing a converter box is simple and there are government funds available to help you buy one.

TWO—Purchase a new television set with a built-in digital tuner

OR THREE—Subscribe to a cable, satellite, or telephone company television service

We want to ensure that every last TV is equipped for the transition, and that every last person across the country is prepared.

In order to do this, we need your help.

We need you to take this mission to your friends and family members so we can meet our goal of reaching every last household here in America.

I urge you to start preparing yourself, your family, your neighbors, and your friends today for DTV.

If you have any questions about the DTV transition, I encourage you visit *www.DTVanswers.com.* There you can find all the information you need on how you can be prepared for the switch.

Television stations have already been doing their part in the transition. Over 92% of television stations now provide digital programming in addition to their analog service.

And now you have ***insert number here*** of days to make sure you and your family are ready.

Thanks again for inviting me to speak to you today.

I have a few minutes to answers some questions you may have about the transition.

Brief Q&A with audience.

For those of you with more questions I have a few reading materials you are welcome to take home with you. If you still have some questions, please refer to the materials or go to *www.dtvanswers.com*

30 minute speech

We are embarking on an unprecedented revolution in the way we view television.

What we are about to experience is a milestone change. It will impact an entire industry in the way that the assembly line forever changed the way we manufacture.

The way that forsaking trains for airplanes changed the way we get from point A to B.

The way that switching to color television and color movies changed the way we are entertained.

I am talking about the switch to digital television, and it is going to happen on February 17, 2009.

I want to thank you very much for inviting me to speak to you today.

Spend a few minutes introducing yourself and provide background on your station and its role in the community.

Think about how many times you watched TV today. Or even caught a glimpse of what was on the tube.

What if I told you that this broadcast will be obsolete in 2009?

And what if I told you that everyone in this audience who receives free over the air TV could get dramatically clearer pictures on their TV?

What if I told you that all of your television sets can have better sound quality?

What if I told you that you that each and every one of you can be eligible for more TV channels than you get now?

I'm guessing you'd like that.

On February 17, 2009, that's exactly what's going to happen.

We will experience a dramatic change in the way our favorite television shows are broadcast.

But before I tell you why, let's take a look back at some of the major milestones in television history.

Then I'll take you to the future of television, and show you how the DTV transition will affect you.

In 1927, Bell Telephone and the U.S. Department of Commerce conducted the first long distance use of television between Washington D.C. and New York City.

In 1948, cable television was born in the mountains of Pennsylvania.

In 1953, the first successful color television began commercial broadcasts.

1960 marked the first televised presidential debates, between John F. Kennedy and Richard M. Nixon.

Kennedy's comfort on TV compared to Nixon drastically impacted the election. Those listening to the debate on the radio were far less impressed by Kennedy.

In 1969, Astronaut Neil Armstrong took the first lunar stroll. About 720 million people around the world tuned in to view it live.

In 1989, Pay-per-view became a familiar part of cable TV service, reaching about one-fifth of all wired households.

In 1993, Closed Captioning became a requirement on all TV sets.

2005 saw flat screen TVs & HDTV become the "in" thing of the year. Almost all televisions sold are now flat LCD and Plasma screens.

And that brings us to our latest milestone in television history: February 17, 2009.

On that date, we—as a nation—will make the transition to Digital Television, or DTV.

The transition to DTV will be the single most significant advancement in television since the color TV was invented in the 1950's.

We will experience a dramatic change in the way our favorite television shows are broadcast.

For the past 80 years, we've been getting our broadcasts through the same antiquated technology.

Since the inception of the first television, stations have been broadcasting through analog signals.

Televisions have picked up these analog signals through analog tuners or antennas—the old-fashioned looking ones that resemble "rabbit ears."

On February 17, 2009, all of these analog signals will be upgraded to digital signals.

Stations across the country will be broadcasting exclusively digital format.

Why digital broadcasting? How will this revolutionize television as we know it?

Because it offers dramatically clearer pictures and better sound.

It is far more efficient and more flexible than traditional analog broadcast technology.

It gives viewers who own HD TV sets, the option of receiving free over the air HD TV, which offers crystal-clear pictures.

It will also allow stations to broadcast multiple programs simultaneously, instead of broadcasting only one channel at a time as they do today.

That means a local station could broadcast an all-weather channel, an all-traffic channel, or an all-sports channel, in addition to their normal news broadcasts.

This is called "multicasting," and it has the potential to change TV viewing as we know it.

Digital television was first introduced in the 1990's when everything was becoming digitized. In the 1990's our music, our cell phones, our movies, they all went digital.

Many TV stations followed suit and began airing their broadcasts in both digital and analog formats.

You may be wondering, why can't we leave things the way they are?

Why does TV have to go exclusively digital?

Because Congress recognizes the benefits of going exclusively digital, so they passed a law in 2005 requiring stations to switch their broadcasts to digital format by February 17, 2009.

They felt that this was the best date, because it would allow TV viewers plenty of time to get prepared for the switch.

Plus, it's after the Super Bowl, so no fan will be left with static during the biggest TV event of the year.

And considering how far technology has come, it's mind-boggling that we're still broadcasting in analog format.

This is a technology we've been using for over 80 years!

80 years ago we had no internet, no computers, no faxes, no color TV. Many households didn't even have electricity!

Yet millions of households across the country are still receiving analog signals through rooftop antennas or "rabbit ears" on their analog television sets.

In fact, it's estimated that about 19.6 million households are receiving only analog broadcasts.

An additional 15 million more households have at least one analog TV set.

There are about 64 million analog television sets still being used across the country.

Here in ***insert your state***, there are approximately ***insert number*** households that receive free over-the-air broadcasting through rabbit ears or a roof top antenna. If these households do not take the steps to upgrade they will lose television reception on February 17, 2009.

Because Congress made this transition the law, I want to make sure that no viewer or no television set is left behind come February 17th, 2009.

You remember Y2K. It sounded overwhelming at first. No one knew what was going to happen at midnight when the new millennium rolled around.

People across the globe were buzzing with anxiety, excitement and fear of the unknown.

If you look at consumer awareness patterns, the closer we got to the end of 1999, the more and more people began to think about what they should do to prepare themselves.

There was a mad dash to stock up on supplies towards the end of the year. Stores began to run out of stock of water and other items the week before 2000 hit.

But that was Y2K. This is the Digital Transition.

This time, there are things we can do to prepare ourselves for February 17, 2009.

In fact, many of you might already be prepared for the DTV transition.

So how do you know if you're digital ready?

How can you be 100% prepared for the transition?

If you have purchased a new TV recently, there's a good chance your TV has a digital tuner, capable of receiving digital broadcasts.

You need to ask your retailer, check your user's manual, or visit the manufacturer's website to be certain.

All TVs manufactured after March 1, 2007 are required have digital turners built in, but analog TVs are still on shelves. That's why it's important you do a little homework to make sure your TV is digital.

If you have a purchased a new HD or LCD screen television lately, you are already receiving digital TV.

If you subscribe to a paid cable, satellite, or telephone television service such as FIOS, you are already receiving digital cable.

If you need more information or have any questions about these services, be sure you contact your service provider.

If you don't meet any of these criteria, then you can follow one of three simple steps that will ensure you won't wake up on February 18 to static instead of your favorite morning show.

One of these steps is to purchase a converter box from your local electronic retailer, similar to the one I have here on display.

The converter box converts the new digital signal back into analog format.

That way you can view digital broadcasts on your analog TV set.

They are extremely user-friendly. They are manufactured by a handful of vendors, including LG, RCA, and Samsung, and will be available beginning early 2008.

The National Telecommunications and Information Administration (NTIA) has created a voucher program to provide financial assistance to consumers who need converter boxes.

Every household will be able to apply for up to two coupons, worth $40 a piece.

These coupons must be redeemed within three months. They will be available in early 2008, and you must register with the NTIA to receive the coupons.

Each coupon can be used toward one converter box.

For example, if you are married, you and your spouse cannot combine your respective $40 dollar vouchers, put them toward a $60 converter box, and then keep the change.

Just one coupon per box will be permitted.

You may be wondering whether or not you need a converter box, so, keep in mind that you may have some televisions sets in your homes that are DTV already, and some that are not.

Do you have TVs in your basement? Bedroom? Kitchen? Do you have a second home? A beach house? A cabin?

Make a mental note of where your televisions are, and think about whether or not they are DTV ready.

Do they use an antenna? Is it an older model TV? If so, chances are you will need a converter box.

If the TV is new and equipped with a digital tuner, or if it carries paid cable, satellite, or phone service broadcasts, then you do not need the converter box.

Which brings me to the second option, go out and purchase a new television with a digital tuner.

And remember, it's important that you specify to your electronics retailer that you want a TV that has a digital tuner capable of receiving digital broadcasts.

By law, digital tuners have been required in sets 35 inches or larger since July of 2005.

Since March of 2006, digital tuners have been required on sets 25 inches in larger.

And as of March 1, 2007, *all* television sets must be manufactured with a digital tuner.

Your third option is to simply subscribe to paid cable, satellite, or telephone television services will ensure you will get your broadcasts on February 18, 2009.

As I said before, if you already subscribe to one of these services, you are prepared.

So while the goal of getting every household in America ready for the digital transition may seem a little ambitious, the switch to digital that the U.S. is making in 2009 is not unique.

The transition to digital television is a global movement.

Many nations have already completed their own switchover, and several European countries have set a date that is earlier than ours.

The need to switch to DTV is a universally accepted necessity, and you have the ability to be completely prepared for it.

Remember, if you want to watch your favorite morning show, soap opera, sitcom, drama, or news show on February 18, you need to take one of 3 steps:

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TWO—Purchase a new television set with a built-in digital tuner

OR THREE—Subscribe to a cable, satellite, or telephone company television service

We want to ensure that every last TV is equipped for the transition, and that every person across the country is prepared.

In order to do this, we need your help. We need you to help spread the message.

We want you to take this mission to your friends and family members so we can meet our goal of reaching every household here in America.

Let them know what I have shared with you today. Each and every one of you can be ambassadors for the NAB by telling at least five people about the switch.

I urge you to start preparing yourself, your family, your neighbors, and your friends today for DTV.

If you have any questions about the DTV transition, I encourage you visit *www.DTVanswers.com.* There you can find all the information you need on how you can be prepared for the switch.

Television stations have already been doing their part in the transition. Over 92% of television stations now provide digital programming in addition to their analog service.

And now you have ***insert number here*** of days to make sure you and your family are ready.

Thanks again for inviting me to speak to you today.

I have a few minutes to answers some questions you may have about the transition.

Brief Q&A with audience.

For those of you with more questions I have a few reading materials you are welcome to take home with you. If you still have some questions, please refer to the materials or go to www.dtvanswers.com

How to Prepare Your Constituents for the Digital Television Transition

Constituent Resource Guide

A variety of Web sites offer information and resources on the February 17, 2009 digital television (DTV) transition. Please find a list of those sites below:

www.DTVanswers.com: The National Association of Broadcasters has launched an aggressive consumer education campaign on the digital television transition and has developed a consumer friendly Web site that answers basic questions about the transition. Visit *www.dtvanswers.com* for additional information on the transition.

www.DTVtransition.org: The DTV Transition Coalition, a large coalition of public and private sector organizations, has come together to support the transition and help educate consumers. *www.DTVtransition.org* includes information about the coalition as well as information for consumers about the transition to digital television.

www.DTV.gov: The Federal Communications Commission launched its DTV Web site last year, at *www.dtv.gov.* This Web site has a variety of information for policymakers and consumers.

Converter box coupons: For more information on the DTV coupon program or information on how to request a coupon beginning January 1, 2008, please visit the National Telecommunications and Information Agency Web site at *www.ntia.doc.gov/dtvcoupon/index.html.*

DTVAnswers.com

An initiative of the National Association of Broadcasters

Cómo prepararse y sus constituyentes para la transición a televisión digital (TVD)

Guía de Recursos para los Constituyentes

Una variedad de sitios Web ofrecen información y recursos sobre la transición de televisión digital (TVD) que ocurre en Febrero 17, 2009. Por favor encuentra una lista es estos sitios debajo:

www.DTVanswers.com: La National Association of Broadcasters ha lanzado una campaña agresiva de la educación de consumidores sobre la transición de la televisión digital y ha desarrollado un sitio Web que es amistoso a los consumidores y que responde a unas preguntas básicas sobre la transición. Visite *www.dtvanswers.com* para información adicional sobre la transición.

www.DTVtransition.org: La Coalición de la Transición Digital (TVD), una grande coalición de organizaciones del sector público y privado, ha unido para apoyar la transición y ayudar educar a los consumidores. *www.DTVtransition.org* incluye información sobre la coalición e información para los consumidores sobre la transición a la televisión digital.

www.DTV.gov: La Federal Communications Commission lanzó su sitio Web de TVD el año pasado, a *www.dtv.gov.* Este sitio Web tiene una variedad de información para políticos y consumidores.

Cupones para la caja convertidora: Para más información sobre el programa de los cupones TVD u información sobre como pedir un cupón empezando Enero 1, 2008, por favor visite el sitio Web de la National Telecommunications and Information Agency a *www.ntia.doc.gov/dtvcoupon/index.html.*

DTVAnswers.com

An initiative of the National Association of Broadcasters

How to Prepare Your Constituents for the Digital Television Transition

Constituent Key Points on DTV

- On February 17, 2009, American television stations will end all analog broadcasts and begin broadcasting exclusively in a digital format, as mandated by the Deficit Reduction Act of 2005.

- America is switching to digital television (DTV) because it offers improved television pictures and sound, and is more efficient and more flexible than the traditional broadcast technology known as analog.

- The benefits of digital broadcasting are remarkable. DTV provides crystal clear pictures and sound and offers high-definition broadcasting for consumers with HD equipment.

- DTV makes it possible for stations to broadcast multiple programs simultaneously – called multicasting – instead of broadcasting only one channel at a time.

- Despite the advantages of the move to digital, many consumers do not know that the transition to digital will be completed in 2009. This transition will directly impact the 20 million households that rely exclusively on free broadcast television in their homes.

- Those most impacted by the transition will be seniors, the economically disadvantaged, minority populations and those living in rural areas.

- There are three ways people can transition to digital:

  1) Switch to a cable, satellite or telephone company television service provider, in which case analog sets will continue to function;
  2) Purchase a new TV set with a built-in digital tuner; or
  3) Purchase a DTV converter box that will convert the new digital signal into the old format for an existing analog television set.

- Congress has appropriated $1.5 billion to fund a digital-to-analog converter box coupon program. The program is being administered by the U.S. Department of Commerce through the National Telecommunications Information Agency (NTIA).

- On January 1, 2008, households will be able to request up to two coupons valued at $40 each to go towards the purchase of a single converter box. Coupons will be mailed via the U.S. Postal Service, and consumers will have approximately three months to redeem them.

- Converter boxes will be available for purchase at consumer electronics retailers in early 2008.

- Who is affected?

- ➡ 19.6 million households that rely exclusively on free broadcast television
- ➡ 14.6 million households that subscribe to a pay TV service, but have functioning analog broadcast television sets in their homes.
- ➡ Approximately 70 million television sets nationwide will be affected

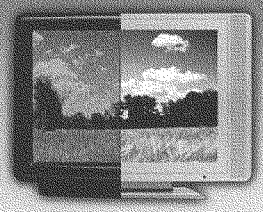
• Digital broadcasts are already available: Today, more than 1,600 television stations nationwide, or over 92 percent of full power stations, are already broadcasting using digital transmission.

• The National Association of Broadcasters, along with a number of trade associations and consumer and civil rights organizations have developed a coalition to help educate consumers about the transition. Members of Congress are working with these groups to ensure that no constituent is left without a broadcast signal on February 17, 2009 due to lack of information about the DTV transition.

• For more information about the DTV transition, visit *www.dtvanswers.com*, the official Web site of the National Association of Broadcasters' digital television (DTV) transition campaign.

DTVAnswers.com

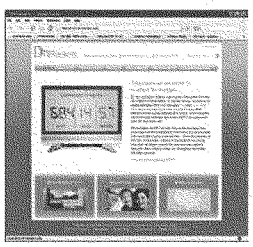
An initiative of the National Association of Broadcasters



The switch to digital television (DTV) is coming.

Get ready for dramatically better television.

By law, all American television stations must switch their broadcasting from analog to digital by February 17, 2009. Television sets connected to cable or satellite will not be affected, and will continue to receive programming after that date. But those analog television sets not connected to cable or satellite, or without a DTV converter box, will not receive any television signal after the date of the switch.



DTVAnswers.com

What is Digital Television (DTV)?

Digital Television (DTV) is an innovative new type of broadcasting technology that will transform your television viewing experience. DTV enables TV stations to provide dramatically clearer pictures and better sound quality. DTV can also offer multiple programming choices, interactive capabilities and data services such as significantly enhanced closed captioning.

Why the switch?

Under legislation passed by Congress – the Deficit Reduction Act of 2005 – free local broadcast television stations are required to turn off their analog channels on February 17, 2009, and continue broadcasting exclusively in the digital format.

What are the benefits of DTV?

Digital television allows stations to offer a number of new and better services. In addition to providing dramatically better pictures, sound quality and high definition television (HDTV), DTV also enables TV stations to provide several channels of programming at once. This is known as "multicasting." DTV can also be used to provide data services (such as significantly enhanced closed captioning) that are not possible with analog technology.

Who will be affected?

Consumers who receive free television signals through antennas on television sets that are equipped with analog tuners – and who do not subscribe to cable, satellite or a telephone company television service provider – will be affected by the transition.

At least 19.6 million households receive only over-the-air television signals in their homes, and approximately 70 million television sets are at risk of losing their signals after February 17, 2009, if owners of these sets do not make the easy transition to DTV.

How can I switch to DTV?

You can make the switch to DTV by following one of three easy steps by February 17, 2009:

1. **DTV converter box:** Purchase a DTV converter box that plugs into your existing analog set. A converter box will enable you to receive free television reception, and the boxes will be available for purchase in early 2008. At that time, the federal government will provide $40 coupons that you may use toward the purchase of these boxes.

(continued on back)

2. **New television set:** Purchase a new television set with a built-in digital tuner.

3. **Paid service:** Subscribe to cable, satellite or a telephone company service provider to continue using your analog TV set, if all desired local broadcast stations are carried by that service.

What is a DTV converter box?

A DTV converter box is an easy-to-install electronic device that hooks up to your analog television set and over-the-air antenna and converts the digital television signal into analog, making it viewable on your analog TV.

When can I get a coupon for a DTV converter box?

The National Telecommunications and Information Administration (NTIA) will issue coupons for DTV converter boxes in early 2008. Households will be able to apply for up to two coupons, valued at $40 each, which must be redeemed within three months of receipt. Go to *www.ntia.doc.gov* for more information.

Can I keep my analog TV set?

Yes. Buying a new digital television set isn't the only option you have for navigating the DTV transition. If you wish to continue using your analog set, you must consider one of the following options to make the switch to digital television:

1. Purchase a DTV converter box, which will convert the new digital signal into the analog format for older televisions.

2. Switch to a cable, satellite or telephone company service provider to receive the new digital signal.

How do I know if I have an analog or digital television set?

To check whether your TV set can receive over-the-air digital broadcast signals, take a look at your owner's manual or look on the set for an indication that it has a built-in Advanced Television Systems Committee (ATSC) tuner. You can also go to the manufacturer's Web site and check the capabilities of the set by manufacturer model number.

Is HDTV the same thing as DTV?

No. HDTV is the highest quality of DTV, but it is only one of several formats. In addition to HDTV, the most common format is Standard Definition Television (SDTV). Consumers who have high definition TV sets may receive free high definition television programming over the air using an antenna.

Will I need a special antenna to receive DTV over-the-air?

In general, dependable reception of DTV will require the same type of signal reception equipment that currently works to provide good quality reception of analog TV signals. If you currently need a roof-top antenna to receive television, the same antenna generally will be needed to receive DTV.

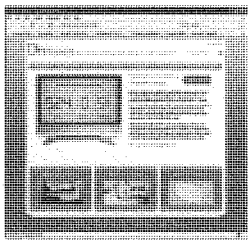
DTVAnswers.com

An initiative of the National Association of Broadcasters, which represents more than 8,300 free, local radio and television stations and broadcast networks across the country.

Viene el cambio a la televisión digital (DTV).

Prepárese para una televisión dramáticamente mejor.

Según la ley, todas las estaciones de televisión en Estados Unidos tienen que cambiar su sistema de difusión del análogo al digital a partir del 17 de febrero de 2009. Los televisores conectados a cable o a satélite no se verán afectados y continuarán recibiendo la programación después de esa fecha. Pero los televisores analógicos que no están conectados a cable o a satélite, o sin una caja convertidora de DTV, no recibirán una señal de televisión después de la fecha del cambio.



DTVAnswers.com

¿Qué es la Televisión Digital (DTV, por sus siglas en inglés)?

La Televisión Digital (DTV) es una nueva e innovadora tecnología de difusión que cambiará su experiencia de ver la televisión. DTV hace posible que las estaciones de televisión transmitan imágenes dramáticamente más claras y de mejor calidad de sonido. DTV también puede ofrecer una selección de programación múltiple, capacidades interactivas y servicios de datos tales como una notable mejora en la calidad de subtítulos ocultos.

¿Por qué el cambio?

De acuerdo con una legislación aprobada por el Congreso -- La Ley de la Reducción del Déficit de 2005 -- las estaciones locales de televisión que transmiten gratis, tienen que desconectar sus canales analógicos el 17 de febrero de 2009, y continuar transmitiendo exclusivamente en el formato digital.

¿Cuáles son las ventajas de DTV?

La televisión digital permite a las estaciones ofrecer un número de nuevos y mejores servicios. Además de proveer imágenes dramáticamente superiores, mejor calidad de sonido y televisión de alta definición (HDTV, por sus siglas en inglés), DTV también hace posible que las estaciones de televisión puedan suministrar varios canales de programación simultáneamente. Esto es conocido como "multicasting" (selección o difusión múltiple). DTV también puede ser usada para proveer servicios de datos (tales como una notable mejora en la calidad de los subtítulos ocultos), lo cual no es posible con la tecnología analógica.

¿Quién se verá afectado?

Los que se verán afectados por estos cambios son los consumidores que reciben señales gratis a través de antenas en televisores equipados con sintonizadores analógicos -- y que no se han suscrito a servicios de cable, satélite, o a un proveedor del servicio de una compañía telefónica.

Por lo menos 19,6 millones de hogares reciben solamente las señales a través del aire en sus casas, y aproximadamente 70 millones de televisores están a riesgo de perder sus señales después del 17 de febrero de 2009, si los dueños de estos televisores no hacen la fácil transición a DTV.

¿Cómo puedo cambiar a DTV?

Usted puede hacer el cambio a DTV decidiéndose por uno de estos tres pasos fáciles antes o para el 17 de febrero de 2009:

1. Caja convertidora de DTV: Compre una caja convertidora de DTV que pueda enchufar en su actual televisor analógico. Una caja convertidora le permitirá recibir la recepción de televisión gratis, y las cajas estarán a la venta a principios de 2008. Para entonces, el gobierno federal le proveerá cupones valorados en $40 que puede usar hacia la compra de estas cajas.

(continuar en la pagina trasera)

2. Nuevo televisor: Compre un nuevo televisor que tenga incorporado un sintonizador digital.

3. Servicio pagado: Subscríbase a un servicio de cable, satélite o a un proveedor del servicio de una compañía telefónica para continuar usando su televisor analógico, si todas las estaciones locales de televisión que desea están incluidas en ese servicio.

¿Qué es una caja convertidora de DTV?

Una caja convertidora de DTV es un dispositivo electrónico de fácil instalación que se conecta a su televisor analógico y la antena a través del aire, y convierte la señal digital de televisión a análogo, haciéndolo visible en su televisor analógico.

¿Cuándo puedo obtener un cupón para una caja convertidora de DTV?

La National Telecommunications and Information Administration (NTIA) distribuirá cupones para las cajas convertidoras de DTV a principios de 2008. Los hogares familiares podrán solicitar un máximo de dos cupones, valorados en $40 por cada uno. Estos tienen que ser cancelados dentro de tres meses de haber sido recibidos. Para más información, visite *www.ntia.doc.gov*

¿Me puedo quedar con mi televisor analógico?

Sí. Comprar un nuevo televisor digital no es la única opción que tiene para poder hacer la transición a DTV. Si desea de continuar usando su televisor analógico, tiene que considerar una de las siguientes opciones para hacer el cambio a la televisión digital:

1. Compre una caja convertidora de DTV, que convertirá la nueva señal digital al formato analógico de los televisores más antiguos.

2. Cambie a un proveedor del servicio de cable, satélite o a una compañía telefónica para recibir la nueva señal digital.

¿Cómo sé si tengo un televisor analógico o digital?

Para determinar si su televisor puede recibir las señales de difusión digital a través

DTVAnswers.com

Una iniciativa de la National Association of Broadcasters, que representa más de 8.300 estaciones locales y gratis del radio y la televisión y las redes de difusión a través del país.

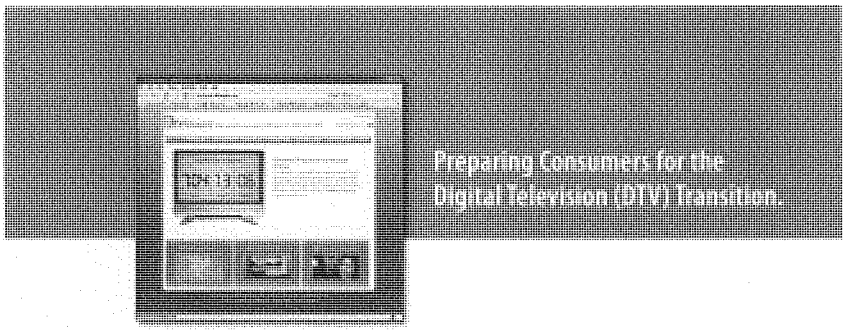
DTVAnswers.com

An initiative of the National Association of Broadcasters

[illegible]

[illegible] **Are you ready?**

visit www.DTVanswers.com



By law, all American television stations will switch their broadcasting from analog to digital by February 17, 2009. Television sets connected to cable or satellite will not be affected, and will continue to receive programming after that date. But those television sets not connected to cable or satellite, or without a converter box, will not receive a television signal after the date of the switch.

Why Transition to DTV?

Digital results in clearer pictures, more channels and even over-the-air high-definition television (HDTV) for consumers with HD television sets. It is also a more efficient way to broadcast that will free up some of the airwaves for other uses.

How do consumers switch to DTV?

Preparing for the DTV transition can be easy and will require one of three steps by February 17, 2009:

- **DTV converter box**: Purchase a DTV converter box that plugs into an existing analog set and allows continued free television reception, which will be available for purchase in early 2008. At that time, the federal government will provide $40 coupons that can go toward the purchase of these boxes.
- **New television set**: Purchase a new television set with a built in digital tuner.
- **Paid service**: Subscribe to cable, satellite or a telephone company service provider to continue using analog sets, if all desired local broadcast stations are carried by that service.

With more than 34 million households receiving over-the-air signals in their homes, our goal is to educate the consumer on how easy it is to switch to digital TV.

For more information on the DTV transition, please visit: www.dtvanswers.com

DTVAnswers.com

An initiative of the National Association of Broadcasters

DTVAnswers.com

An initiative of the National Association of Broadcasters

The DTV Transition: Background Summary

The Law

In the Digital Television Transition and Public Safety Act of 2005, Congress set a hard deadline of February 17, 2009, for television stations to replace traditional analog broadcasts with digital broadcasts. By 11:59 p.m. on February 17, 2009, all full-power television stations must switch off their analog broadcasting signals and begin broadcasting exclusively in the digital format. This switch from analog to digital broadcasting is known as the DTV transition.

The Difference between Analog and Digital Broadcasting

Digital television (DTV) enables television stations to provide dramatically clearer pictures and better sound quality. By transmitting the information used to make a TV picture and sound as "data bits" like a computer, television stations can also carry more information using digital broadcasting than is currently possible with analog broadcast technology. For example, DTV makes it possible for stations to broadcast multiple channels of free programming simultaneously through "multicasting," instead of broadcasting only one channel at a time. Digital technology also enables television stations to provide free, over-the-air high-definition television (HDTV) for consumers with HD television sets. The picture quality of HDTV is also better over-the-air in its purest form.

Author Thomas L. Friedman provides a useful description of digital technology in his book *The Lexus and the Olive Tree*:

> *"Digitization is the wizardry by which we turn voices, sounds, movies, television signals, music, colors, pictures, words, documents, numbers, computing language and any other form of data you can think of into computer bits and then transfer them by telephone lines, satellites and fiber-optic cables around the world . . . Digitization involves reducing any sound, picture, number or letters into a different code of 1's and 0's, and then transmitting them through telecommunications to another point where those 1's and 0's are decoded for the receiver and reconstituted into something very close to the original . . . It is much easier for the device receiving such a signal to read exactly what it is . . . This is why digital copies are always so much sharper and why anything that is sent as a string of 1's and 0's from your mouth or fax or computer in New York will automatically come out as the same 1's and 0's on the other end."*

The transition to digital television will also free up some of the airwaves since digital signals use less of the spectrum than analog signals. When the transition is completed, television broadcasters will vacate part of the spectrum — the so-called 700 MHz band consisting of channels 52-69 — which the government will reclaim for other uses.

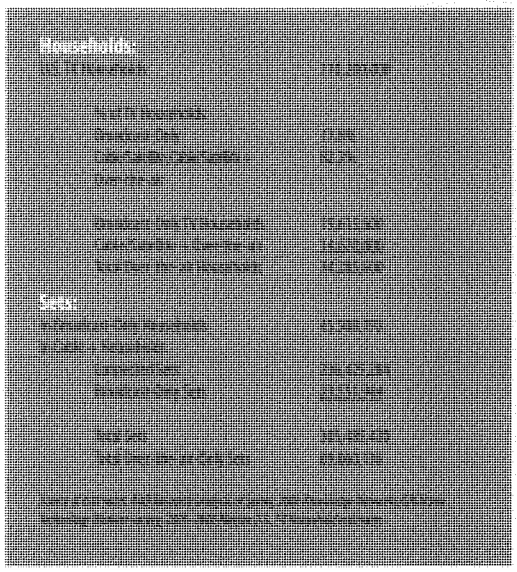
Effect of the DTV Transition on Consumers

While the benefits of DTV are remarkable, millions of households risk losing television reception unless they take the steps to receive a digital signal.

Television viewers who receive free, broadcast television signals through antennas on television sets that are equipped with analog tuners— and who do not pay for a subscription television service — will be affected by the transition.

Of the roughly 110 million American households with televisions, approximately 17.8 percent, or 19.6 million, receive broadcast signals exclusively in their homes. Another 14.6 million households have secondary over-the-air television sets in their bedrooms or kitchens that are not connected to a subscription service.

Overall, more than 34 million households, including nearly 70 million television sets, are at risk of losing their television signals after February 17, 2009, if consumers do not make the transition to DTV.



How to Make the Transition

Consumers will have three options for making the switch to DTV and continuing their television service:

1) Purchase a DTV converter box that will convert the digital signal into analog for an existing analog television set. Converter boxes will be available for purchase in early 2008, and are expected to cost between $50 and $70. At about the same time, the federal government will offer consumers $40 coupons to go toward the purchase of these boxes.

2) Purchase a new TV set with a built-in digital tuner. All TVs with a digital tuner are able to receive digital signals broadcast by television stations.

3) Subscribe to cable, satellite or a telephone company television service provider. All of these services will allow consumers to receive digital television signals on their analog television sets.

Converter Box Coupon Program

The government is funding a program to help consumers with the costs of upgrading to digital. As part of the Digital Television Transition and Public Safety Act of 2005, Congress approved a $1.5 billion converter box coupon program to be administered by the National Telecommunications and Information Administration (NTIA). Between January 1, 2008, and March 31, 2009, all U.S. households will be eligible to request up to two coupons, worth $40 each, to be used toward the purchase of up to two converter boxes. Coupons will be mailed to eligible households and will expire after 90 days of issuance. The coupons cannot be combined to purchase a single converter box, nor can they be used toward the purchase of other products.

Antennas and DTV

With a good indoor or outdoor antenna, consumers can maximize their DTV reception. Like HDTV, the picture quality of DTV is better over-the-air, in its purest form. In general, dependable reception of DTV will require the same type of antenna that currently works to provide good quality reception of analog TV signals. A key resource to help consumers choose an antenna in order to receive free, local broadcast TV channels is available online at *www.antennaweb.org*.

How TV Stations are Preparing for DTV

Consumers do not have to wait until 2009 to take advantage of all digital has to offer. Television stations have been preparing for the transition from analog to DTV since the late 1990s, when they began building digital facilities and airing digital channels alongside regular analog broadcasts. Today, 1,624 out of 1,762 full-power television stations nationwide offer digital programming.

The National Association of Broadcasters (NAB) has launched an aggressive consumer education campaign to ensure that no American is left unprepared for the transition to DTV. NAB's digital television (DTV) transition campaign includes:

- Research: Working with some of the best survey research teams in the country to design an effective message to reach diverse audiences.
- Earned Media: Using earned media to have a strong, positive presence in newspapers and on television news programs.
- Marketing and Paid Media: Using marketing tools and advertisements to ensure consumers are aware of the transition, and making high-quality "DTV Action" television spots available for broadcasters to run in their local markets.
- Speakers Bureau: Enlisting local broadcasters to speak to groups in their communities about the transition and how to prepare.
- DTV Road Show: Coordinating a traveling media event that will reach more than 200 cities before February 2009.
- DTV Transition Coalition: Helping to coordinate a group of public and private organizations that are working together to ensure a successful transition to digital television.

The digital television transition is coming, and it means a better quality television experience for those who take the steps to receive a digital signal. But consumers who don't take these steps risk losing their free television programming. It pays for consumers to get prepared now for DTV.

For more information about the NAB's DTV transition campaign, please contact Shermaze Ingram at (202) 429-5477, or via email at singram@nab.org.

DTVAnswers.com

An initiative of the National Association of Broadcasters

National Association of NAB BROADCASTERS

How to Prepare for the DTV Transition *(Sample Op Ed)*

Are you ready for the most significant upgrade in television since color TV? The transition from analog to digital television (DTV) represents the most significant advancement of television technology since color TV was introduced. But while nearly every new technology we use today — including cell phones, music and radio — has gone digital, if you are like most Americans, you may be completely unaware of the upcoming DTV transition, which will be completed on February 17, 2009.

The benefits of digital television are clear: crystal clear pictures and CD quality sound; more choices through additional digital side channels – such as all weather or all traffic channels; and the capability of high-definition broadcasting.

More than 90 percent of television stations in the U.S. are already broadcasting in digital, but few consumers are aware of it or the February 2009 transition. According to a recent survey by the National Association of Broadcasters, 62 percent of Americans have seen, read or heard nothing about the DTV transition – and among the few who have, none could say when the transition would occur.

In **(MEMBER STATE)** alone, Nielsen Media Research reports that nearly (refer to member cover letter) households rely on broadcast only television reception.

Who needs to get ready? The DTV transition doesn't directly affect everyone – those who have a digital tuner in their television, or subscribe to cable, satellite or telephone company television service provider need not worry. But those who are impacted are impacted dramatically. You need to take action if you are one of the 19.6 million households that rely exclusively on free, over-the-air broadcasts made available through a rooftop antenna or "rabbit ears." Even if you do subscribe to a television service provider, you may have a television set in your second bedroom or kitchen that is impacted. Overall, the transition will directly impact more than 69 million television sets.

Fortunately, navigating the transition is easy. You have only to follow one of three simple steps to make sure your family continues to receive free, over-the-air television:

1) **Purchase a DTV converter box that will convert the digital signal into analog for an existing analog television set. The DTV converter box, sometimes referred to as a set-top box, is an electronic device that makes the new digital signal viewable on an older analog television set.** Converter boxes will be available for purchase in early 2008 and are expected to cost between $50 and $70. To help cover the cost of the converter box, the federal government will offer two converter box coupons, valued at $40 each, to eligible households beginning early next year. Each coupon may be used toward the purchase of a single converter box, and the coupon program will be administered by the U.S. Department of Commerce. You will still need basic antennas in addition to the converter box to receive a digital signal on their analog television sets, but current antennas will work the same as before. For more information about the converter box coupon program, visit *www.ntia.doc.gov.*

2) **Purchase a new television set with a built-in digital tuner.** Another option you may choose is to upgrade to a new television set with a built-in digital tuner. As with older sets, you will need basic antennas that provide quality reception of over-the-air analog television signals to pick up free digital broadcast programming from local stations. Before deciding to purchase a new digital TV, make sure your current TV doesn't have a built-in digital tuner. Most sets sold in the last few years that are larger than 27 inches will likely have a digital tuner.

3) **Subscribe to cable, satellite or a telephone company television service provider.** All of these services will allow you to receive digital television signals on analog television sets, as long as all the sets are connected to the service. No additional equipment is required for consumers who decide to go this route.

While there is still time to decide how to navigate the digital television transition, it's a good idea to start thinking about which option will work best now. Eligible consumers will be encouraged to apply early for the converter box coupons. If you choose to purchase a new television set with a digital tuner, take time to learn about available options and features and shop around for the best deal. Leaning toward a subscription to a cable, satellite or telephone company television service? Then spend some time looking into which of these services best suits your viewing needs and fits into your monthly budget.

The digital television transition is coming, and it means a better quality television experience for those who take one of the three easy steps above to upgrade. But consumers who don't take those easy steps risk losing their free television programming. It pays to get prepared now for DTV.

Additional information about the DTV transition is available at *www.dtv.gov.*

SAMPLE PRESS RELEASE

Washington, D.C. – (MEMBER STATE) broadcasters are in the midst of exciting and dramatic changes as they prepare for the February 17, 2009 digital television (DTV) transition, the federally mandated switch from analog to digital television broadcasting. This means conventional television broadcasting, as we currently know it, will come to an end.

The new upgraded digital technology will offer a myriad of consumer advantages, including crystal clear pictures and CD-quality sound, as well as multiple programming choices, HDTV and interactive options. The transition will also make additional spectrum available for advanced wireless applications.

"The transition from analog to digital television broadcasting represents a new era of advanced technology," noted **(MEMBER OF CONGRESS).** "In a nutshell, the analog standard is now outdated. Digital is not only better television, it's a more efficient way to broadcast and will offer consumers an array of new wireless broadband services."

In **(MEMBER STATE)**, there are approximately **(refer to member cover letter)** households that receive free over-the-air television and are at risk of losing television reception if they do not take the necessary steps to transition to digital. Nationally, more than 34 million households will be affected by the DTV transition, including approximately 70 million television sets, according to data released by the National Association of Broadcasters.

Television sets connected to cable or satellite should not be affected, and will continue to receive broadcast programming after that date. But, television sets that are not connected to cable, satellite, a telephone company television service provider or do not have a built-in digital tuner, will need a converter box to continue receiving broadcast television signals after the transition occurs.

Importantly, those most disproportionately affected by the DTV transition will be seniors, minority populations, the economically disadvantaged and those living in rural areas.

Prior to the February 2009 transition date, consumers who do not subscribe to cable or satellite television, but who receive free, broadcast-only TV reception will have three options to navigate the DTV transition:

(1) Purchase a new television set with a built-in digital tuner;
(2) Purchase a set-top converter box that will convert the digital signal into analog for an existing television set; or
(3) Subscribe to cable, satellite or a telephone company television service provider, in which case analog sets will continue to function.

Beginning in early 2008, consumers can purchase a DTV converter box that plugs into an existing analog set and allows continued free television reception. At that time, the federal government will provide households up to two $40 coupons that can be used toward the purchase of these boxes. The boxes will be available at retail stores that sell electronic equipment.

Nationally, 1,611 television stations have already transitioned from analog to digital.

Attachment D

Members of the DTV Transition Coalition
10/29/07 – Total: 171

AARP
Advanced Television Systems Committee
Affinity Marketing
Alabama Broadcasters Association
Alaska Broadcasters Association
Alliance for Public Technology
Alliance for Rural Television (ART)
American Association of People with Disabilities (AAPD)
American Cable Association (ACA)
American Legislative Exchange Council (ALEC)
American Library Association (ALA)
Archway Marketing Services
Arizona Broadcasters Association
Arizona - New Mexico Cable Communications Association
Arkansas Broadcasters Association
Association of Cable Communicators
Association for Maximum Service Television, Inc. (MSTV)
Association of Public Television Stations (APTS)
Audio Quest
Best Buy
Black Leadership Forum Inc.
Broadcom
Call For Action
Cable Telecommunications Association of New York, Inc.
Cable and Telecommunications Association for Marketing
Cable Television Association of Georgia
California Broadcasters Association
Care2
CENTRIS
Circuit City

Cisco Systems, Inc.
CNET
Colorado Broadcasters Association
Community Broadcasters Association
Congressional Black Caucus
Congressional Hispanic Caucus
Connecticut Broadcasters Association
Consumer Action
Consumer Electronic Retailers Coalition (CERC)
Consumer Electronics Association (CEA)
Consumers for Competitve Choice
Corporation for Public Broadcasting
Councilmemeber Mary Cheh's Office
CTAM: Cable & Telecommunications Association for Marketing
Custom Electronic Design & Installation Association (CEDIA)
DIRECTV
Disney
Effros Communications
Electronic Industries Alliance (EIA)
Entertainment Industries Council, Inc. (EIC)
Federal Citizens Information Center
Federal Communications Commission
Florida Association of Broadcasters
Georgia Association of Broadcasters
Goodwill Industries International
Greater New Orleans Broadcasters Association (GNOBA)
Hawaii Association of Broadcasters
High Tech DTV Coalition
Home Theater Specialists of America (HTSA)
Idaho State Broadcasters Association
Illinois Broadcasters Association
Indiana Broadcasters Association
Information Technology Industry Council (ITIC)
Iowa Broadcasters Association
Iowa Cable & Telecommunications Association, Inc.
Kansas Association of Broadcasters
KA6UTC
KCET
Kentucky Broadcasters Association
Kinsella/Novak Communications, LLC
KTSF
Latinos in Information Sciences and Technology Association
Leadership Conference on Civil Rights (LCCR)
League of United Latin American Citizens
LG Electronics
Louisana Association of Broadcasters

Louisiana Cable & Telecommunications Association
Maine Association of Broadcasters
Maryland/D.C./Delaware Broadcasters Association
Massachusetts Broadcasters Association
Media Freedom Project
MediaTides LLC
Mexican American Opportunity Foundation
Microtune
Michigan Association of Broadcasters
Minnesota Broadcasters Association
Minority Media Telecommunications Council
Mississippi Association of Broadcasters
Missouri Broadcasters Association
Montana Broadcasters Association
National Alliance of State Broadcast Associations (NASBA)
National Association of Black Journalists (NABJ)
National Association of Black Owned Journalists
National Association of Broadcasters (NAB)
National Association of Consumer Agency Administrators (NACAA)
National Association of Counties (NACo)
National Association of Latino Elected Officials
National Association of Latino Independent Producers
National Association of Manufacturers (NAM)
National Association of Neigborhoods
National Association of Regulatory Utility Commissioners
National Association of Residential Property Managers (NARPM)
National Association of Telecommunications and Advisors (NATOA)
National Black Church Initiative
National Cable & Telecommunications Association (NCTA)
National Coalition of Black Civic Participation
National Council of LaRaza
National Grange
National Fair Housing Alliance
National Grocers Association (NGA)
National Hispanic Media Coalition
National Newspaper Publishers Association News Service
National Organization of Black County Officials
National Religious Broadcasters (NRB)
National Urban League (NUL)
Navigant Consulting, Inc.
Nebraska Broadcasters Association
Nevada Broadcasters Association
New Hampshire Association of Broadcasters
New Jersey Broadcasters Association
New Mexico Broadcasters Association
New York State Broadcasters Association

Nielsen Company
North American Retail Dealers Association (NARDA)
North Carolina Association of Broadcasters
North Dakota Broadcasters Association
Ohio Association of Broadcasters
Ohio Cable Telecommunciations Assn (Stoddard)
Oklahoma Association of Broadcasters
Oregon Association of Broadcasters
Panasonic Corporation of North America
Pennsylvania Association of Broadcasters
Philips Consumer Electronics
Plasma Display Coalition
Public Broadcasting Service (PBS)
Qualcomm
RCA/Audio Video
Rainbow PUSH Coalition
RadioShack
Retail Industry Leaders Association
Retirement Living TV
Rhode Island Broadcasters Association
Samsung Electronics
Satellite Broadcasting and Communications Association (SBCA)
South Carolina Broadcasters Association
South Dakota Broadcasters Association
Target
Telecommunications Industry Association (TIA)
Tenessee Association of Broadcasters
Terrestrial Digital
Texas Association of Broadcasters
Texas Cable & Telecommunications Association
Texas Instruments
THAT Corp.
Thomson
TitanTV Media
U.S. Chamber of Commerce
Universal Remote Control
Utah Broadcasters Association
Verizon
Vermont Association of Broadcasters
Virginia Association of Broadcasters
Voices of September 11th
Wal-Mart
Washington State Association of Broadcasters
Washington Urban League
Wineguard Company
Wisconsin Cable Communications Association

Wisconsin Broadcasters Association
WLMB TV40
Wymoming Association of Broadcasters

Mr. MARKEY. Our next witness is Michael Willner, who is the vice chairman and chief executive officer of Insight Communications. He is representing the National Cable and Telecommunications Association before us today.

Welcome, Mr. Willner.

STATEMENT OF MICHAEL S. WILLNER, VICE PRESIDENT AND CHIEF EXECUTIVE OFFICER, INSIGHT COMMUNICATIONS, NEW YORK, NY

Mr. WILLNER. Mr. Chairman, thank you. I have noticed—I think this is my third or fourth hearing on DTV, and the font on my script gets larger and larger each time I come back so I can see it.

I would like to thank you and Ranking Member Upton and the members of the committee for inviting me today. My name is Michael Willner, and I am the vice chairman and CEO of Insight Communications, and we are the ninth largest cable operator in the United States.

The transition to digital television will make it possible for our Nation to reclaim and reallocate valuable spectrum for enhanced public safety communications and increased wireless broadband services. It is critically important for all affected industries to work with the Government in a cooperative and coordinated manner. We need to educate Americans in what they need to do to get ready for and how they will benefit from this successful transition.

When I testified before the subcommittee in 2005, I suggested that you could and should set a hard date for the end of the transition, and I committed at that time that whatever date you chose, the cable industry would be ready, willing and able to ensure a smooth and seamless transition for our customers. You chose February 17, 2009, and we are ready, willing and able to meet that date.

We are proud to be one of the founding members of the DTV Transition Coalition, working with the broadcast consumer electronics industries, satellite, as well as many other organizations to educate Americans about the digital transition. We are committed to helping the coalition develop and implement a unified message that can be reinforced across multiple platforms.

In early September the cable industry launched our extensive consumer education campaign, including English- and Spanish-language TV advertising valued at over $200 million. These spots are designed to reach millions of cable and noncable viewers with useful information about the DTV transition. The industry is now in a second round of advertising spots focused on alerting customers to the NTIA's coupon program for digital-to-analog converter boxes. Those ads are scheduled to run on our systems, I know, as early as this week.

Our commitment extends far beyond simply running television ads, though. NTIA revamped its entire Web site, which now focuses predominantly on the digital transition. And we have created English- and Spanish-language Web sites linked to our home page to provide consumers with easy-to-understand information.

The NTIA will also distribute a communications DTV tool kit to cable systems nationwide, which will include bill stuffers, on-screen scrolls, telephone on-hold messaging, sample e-mails for broadband

customers, Web site banner ads for company Web sites, employee education materials, very important, and brochures for distribution at community events.

I would note that many of the components of our education campaign are based on ideas that were suggested by the leadership of this very committee, and we remain open to additional ideas on how we can further advance the DTV educational efforts as we move forward.

I do, however, have one area of concern regarding the carriage of digital broadcast signals after the transition. We are committed to provide a seamless transition to all of our customers. We do question the constitutionality of a Government mandate that requires cable operators to carry all must-carry broadcast stations in both digital and analog formats. Nevertheless, in 2005 we worked with you to include a carriage commitment in legislation that was approved by the committee. Although that DTV carriage provision was not included in the final bill, we did craft a 3-year voluntary carriage commitment with you and your staffs. The FCC approved an order 7 weeks ago which is supposed to mirror our voluntary 3-year plan; however, we are still very anxious to review the actual text of that decision which has not yet been released.

And based on our information that we do have up to now, the FCC's order is clearly deficient in one major respect as you heard earlier today, and that is that the Commission declined to provide an exemption for very small cable systems as the committee did in 2005. And this doesn't affect my company or many of the members of NTIA, but this is a serious issue in rural America. And we hope that the Commission will be guided by your actions in the past to use a further notice to provide clear and unconditional exemptions for small cable systems in its DTV carriage order.

Mr. Chairman, the cable industry has made a massive commitment to ensure a smooth transition to digital broadcasting. We continue to stand ready to work with you and the members of the subcommittee and to remain a leader in making sure that we all get it done right.

Thank you again for the time to testify before you, and I will be here to answer questions.

Mr. MARKEY. Thank you, Mr. Willner, very much.

[The prepared statement of Mr. Willner follows:]

TESTIMONY

of

MICHAEL WILLNER
VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER
INSIGHT COMMUNICATIONS

on

STATUS OF THE DTV TRANSITION – PART 3

before the

SUBCOMMITTEE ON TELECOMMUNICATIONS AND THE INTERNET
COMMITTEE ON ENERGY AND COMMERCE
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

October 31, 2007

Chairman Markey, Congressman Upton and Members of the Subcommittee, my name is Michael Willner and I am Vice Chairman and CEO of Insight Communications, the nation's ninth largest cable operator. Thank you for inviting me to testify about the cable industry's efforts to ensure a successful transition to digital broadcasting.

Insight Communications provides bundled, state-of-the-art services to 1.3 million cable customers living in Illinois, Indiana, Kentucky, and Ohio. The company pursues an aggressive business plan to deliver leading-edge technology to its customers and has successfully upgraded its infrastructure to support numerous advanced services including high definition television (HDTV), digital video recorders (DVR), video-on-demand (VOD), subscription video-on-demand (SVOD), two tiers of high-speed Internet access service, voice telephony, and standard analog video. At the end of the second quarter of 2007, Insight Communications served 1.3 million basic customers; including 660,000 digital customers; 675,000 high-speed Internet customers, and 177,000 digital telephone customers. The capital investment required to make these enhancements was approximately $500 million, a huge commitment for a company of our size.

Insight Communications was an early proponent of HDTV programming and first launched high definition service in 2002. Insight carries at least one major broadcast network in HD format in almost all of our markets. Insight carries nearly all local HD signals in all markets – provided the local broadcaster offers HD and does not demand unreasonable economic concessions that require our customers to pay for programming which the broadcaster is obligated to provide for free over the public airwaves. Currently

266,000 Insight customers have HDTV-enabled set-top boxes in their homes, and 95 percent of our customers have access to HD services (98 percent of Insight's digital customers).

Mr. Chairman, the marketplace has changed dramatically since I last testified before the Subcommittee in 2005. Today, 100 million television households are passed by cable systems offering high definition service and cable systems are voluntarily carrying the primary digital signal of 999 broadcast stations and more than 605 multicast broadcast streams—more than doubling the number of digital broadcast signals cable carried in 2005.

And, in 2005 Congress was still debating whether to set a date certain for broadcasters to return their analog spectrum. At that time, I stated that I personally believed that the only way this transition would ever be completed was for Congress to set a date certain. So I applaud you for working to make that a reality. I also committed to you that regardless of the date you chose, Insight and the rest of the cable industry would be ready, willing, and able to ensure a smooth and seamless transition for its customers. I am pleased to report that our industry is living up to that commitment.

In 2002, Insight was among the first cable operators in the nation to reach a marketplace agreement with public broadcasters for carriage of their digital signals during and after the transition. In 2005, NCTA reached an agreement with the Association of Public Television Stations and with PBS for digital carriage, including the

carriage of up to four free digital multicast streams provided by public broadcasters on cable systems that offer high definition service. This agreement has created enormous value for cable customers and demonstrates that the marketplace is working.

Also in 2005, despite our firm and long-held view about the Constitutional infirmities of a government mandated regime that requires cable operators to carry all must carry broadcast stations in both digital and analog formats, we worked with this Committee on a legislative proposal for the carriage of commercial must carry stations after the digital television transition. While that plan passed the House, it was not included in the final version of the Deficit Reduction Act of 2005.

More recently, working with you, Mr. Chairman, Ranking Member Upton, and your staffs, the industry developed a three year voluntary carriage commitment which the FCC recently approved in an order which we believe mirrors our voluntary plan. However, we are anxious to review the actual text of this decision, which the Commission has yet to release despite having adopted it more than seven weeks ago.

Based on the information we do have, the FCC's order is clearly deficient in one major respect. The Commission declined to provide an exemption from these carriage obligations for very small systems, many of which serve rural areas. The Commission ruled that small cable systems, defined as those that have a capacity of 552 MHz or less, must seek individual waivers of this dual carriage requirement, but committed to revisit the issue in a further notice. The Commission should have provided an exemption for

small systems, just like this Committee did in 2005. We hope the Commission will be guided by the action taken by this Committee and use the further notice to provide an unconditional exemption for small systems from its DTV carriage order.

While small systems have a strong interest in and will ensure that their customers can receive the broadcasters' signal after the digital transition, they should not be forced to use their limited capacity for dual carriage when rural and smaller market customers are demanding advanced services, like faster broadband and digital telephone.

The cable industry has also demonstrated its commitment and leadership in making certain that all Americans are fully informed about the transition to digital television. We are proud to have been one of the founding members of the DTV Transition Coalition, working with the broadcast, consumer electronics, and satellite industries as well as many, many other consumer and interested organizations to educate the millions of Americans who will be affected by the digital transition. We are committed to helping the DTV Transition Coalition develop and implement a unified message that can be reinforced across multiple platforms.

And, in early September, the cable industry launched an extensive consumer education campaign, including English and Spanish-language TV advertising valued at $200 million, designed to reach millions of cable and non-cable viewers with useful information about the digital television transition. The industry is now in a second run of

advertising spots focused on alerting consumers to the NTIA's coupon program for digital to analog converter boxes. Those ads are being run on Insight systems.

However, cable is not relying only on television advertising. Our substantial and multifaceted consumer education campaign also includes a number of additional commitments which will help ensure a seamless transition for our television viewers. These include our trade association's revamped website (www.ncta.com) which now highlights the digital transition, as well as English and Spanish-language websites linked to our homepage that provide consumers with easy-to-understand information, tips, and other information about the transition, in addition to links on the websites directing users to other government, consumer, and industry websites that provide useful consumer information about the transition.

Next month, a customer communication "tool kit" will be sent to cable systems nationwide which will include:

- invoice messages to be included on billing statements;
- electronic messages for digital cable boxes;
- on-screen scrolls for local origination channels;
- telephone "on-hold" messaging for customer call centers;
- sample emails to be sent to broadband customers;
- website "banners" for MSO and network websites; and
- employee communications materials to educate employees about the DTV transition.

In addition, local origination and on-demand programming will be created to provide a brief tutorial on the benefits of the digital transition, and how cable can help customers navigate through it. And lastly, original research on consumer perceptions of the transition will be conducted, the results of which will be shared publicly and with other members of the DTV Transition Coalition.

I would note that many of the components of our education campaign are based on ideas suggested by Chairman Dingell, Ranking Member Barton, Chairman Markey and Ranking Member Upton. The industry remains open to other ideas on how we can further advance DTV education efforts. We are also working closely with a variety of consumer groups and grassroots organizations on how we can improve outreach to particularly vulnerable constituencies.

Mr. Chairman, the transition to digital television will make it possible for the government to reclaim and reallocate valuable spectrum for enhanced public safety communications and increased wireless broadband services. It is critically important for all affected industries to work with government in a cooperative and coordinated manner to educate Americans about what they need to do to get ready and how they will benefit from a successful transition.

The cable industry has made a massive commitment to help ensure a smooth transition to digital broadcasting and we stand ready to continue to work with Members

of Congress to make sure we get it done right. Thank you again for inviting me to testify before you today and I would be happy to answer any questions you may have.

Mr. MARKEY. Our next witness is Joe Uva, who is the chief executive officer of Univision Communications.

Welcome, sir.

STATEMENT OF JOE UVA, CHIEF EXECUTIVE OFFICER, UNIVISION COMMUNICATIONS, INC., NEW YORK, NY

Mr. UVA. Thank you, Mr. Chairman. Good morning, Ranking Member Upton and members of the subcommittee.

My name is Joe Uva, and I am the chief executive officer of Univision Communications, Inc., the largest Spanish-language media company in the country and the fifth largest broadcast network. Our operations include the Univision Network, the most-watched Spanish-language broadcast television network in the Nation, reaching 99 percent of U.S. Hispanic households; the Telefutura Network, the third most-watched Spanish-language network; the Univision Television Group, which owns 63 television stations in major U.S. Hispanic markets, including Puerto Rico; and Univision Radio, the leading Spanish-language radio group, which owns 74 radio stations in 16 of the top 25 U.S. Hispanic markets, including 5 stations in Puerto Rico.

Hispanic Americans are more than our viewers. They are our constituents, and we are privileged to inform and entertain them. With that comes responsibility. In these past few months you have seen us strive to meet that responsibility as never before. You have seen it in our initiative to register Hispanic voters in our first-ever Spanish-language Democratic presidential forum and with the launch of our weekly public affairs program, Al Punto, bringing Hispanic audiences into the national Sunday morning conversation.

I am proud to say that the relationship Univision has with its viewers is unique because people who invite this network and its programming into their lives give back an incredible measure of loyalty, affection and trust. This mutual trust and commitment is the essence of the relationship Univision has with its audiences. Our viewers consider us to be part of their community, and with good reason. From 2004 through 2006 alone, Univision contributed nearly $850 million in cash and in-kind value to support the U.S. Hispanic community.

In continuing to earn this trust and meet our responsibilities to the community, we take seriously our part in ensuring the success of the digital television transition and in ensuring that our Hispanic viewers benefit from its results rather than suffer the consequences of being left behind. The impact of the digital transition on our viewers is a particular concern to us because nearly 28 percent of Hispanic households and 43 percent of homes where Spanish is the primary language watch TV only via over-the-air broadcast, and that is according to a 2005 NAB report to the FCC.

Unfortunately most Hispanics, particularly our non-English-speaking viewers, are not informed about the digital transition and the impending analog cut-off date of February 17, 2009. Unless we use the time left to educate and inform viewers on how to prepare for the digital transition, a disproportionate number of Hispanic viewers will no longer be able to rely on over-the-air broadcast for critical news, weather, local programming and emergency updates. Hispanics could be uniquely affected, and we want to make sure

that they are the best educated segment of the population about what the analog cut-off date means and what they can do to prepare for it.

It is therefore with pride that I can say on October 1 Univision became the first major network to launch a multiplatform public service ad campaign preparing our Hispanic television viewers for the analog-to-digital transition. Our campaign will use Univision's media assets to raise awareness and educate consumers about the digital transition, creating a clear and positive message promoted on air and enhanced by local community outreach.

Our efforts go far beyond 30-second public service announcements. They will include a Web page, multiple 30-minute television specials, local newscasts, radio PSAs, local outreach events, and we will promote the Spanish-language toll-free telephone number that is being set up by the FCC and the NTIA.

Additional components of our campaign include offering our viewers general information on digital television and how to receive it. We will educate consumers on the NTIA's converter coupon program to make sure that our eligible viewers apply for and redeem their coupons in a timely manner. We will also provide Latinos with information on the resources and services available to assist them with the digital transition, and we will work with retailers to help ensure that they have appropriate Spanish-language signage and in-store materials about digital TVs in markets where there is a high-density Latino population. Univision will be working with the Hispanic Technology and Telecommunications Partnership, NCLR, the National Hispanic Council on Aging, and NALEO.

Sixteen months from now our Nation will take the final step in moving from analog and crossing over into the digital era of television broadcasting. While we still face many challenges, rest assured Univision is dedicated to doing its part to inform and prepare its viewers for that transition.

Chairman Markey, Ranking Member Upton and members of the subcommittee, we look forward to working with you to ensure that digital transition takes place as planned and that its full benefits become a reality for all members of our national community. Thank you for inviting me to participate today.

Mr. MARKEY. Thank you, Mr. Uva, very much.

[The prepared statement of Mr. Uva follows:]

Statement of Joe Uva
Chief Executive Officer
Univision Communications Inc.
Before the
Committee on Energy and Commerce
Subcommittee on Telecommunications and the Internet
United States House of Representatives
Hearing on
The Digital Television Transition
October 31, 2007

Good morning Chairman Markey, Ranking Member Upton, and Members of the Subcommittee, my name is Joe Uva. I am the Chief Executive Officer of Univision Communications Inc., the largest Spanish-language media company in the country and the fifth largest broadcast network.

Our operations include the Univision Network, the most-watched Spanish-language broadcast television network in the U.S., reaching 99% of U.S. Hispanic Households; Univision Television Group, which owns 63 television stations in major U.S. Hispanic markets including Puerto Rico; and Univision Radio, the leading Spanish-language radio group, which owns 74 radio stations in 16 of the top 25 U.S. Hispanic markets, including 5 stations in Puerto Rico.

Hispanic Americans are more than our viewers, they are our constituents. Today is a new day at Univision, we are in the first few months of a new ownership, with new leadership and a new vision for the company. The company's changes in these past months are all part of a bold plan we are enacting to renew Univision.

We are privileged to inform and entertain the Hispanic American community – and that privilege comes with responsibility. In these past few months, you've seen us strive to meet that responsibility as never before.

You've seen it in our initiative to register Hispanic voters and to assist them in the path to citizenship.

You've seen it in our historic first-ever Spanish language Democratic presidential forum we hosted in Miami.

And you've seen it with the launch of our weekly public affairs program, *Al Punto*, bringing Hispanic audiences into the national Sunday morning conversation.

And you will continue to see this commitment on our air, with even more Washington-based correspondents who will help us expand our coverage of the national issues and bring them home to our viewers.

I am proud to say the relationship Univision has with its viewers is unique and fundamentally different than the other networks. This relationship is stronger and truer because people who invite this network and its programming into their lives give back an incredible measure of loyalty, affection and trust.

This mutual trust and commitment is the essence of the relationship Univision has with its audiences. Our viewers consider us to be a part of their community. And with good reason: from 2004 – 2006 alone, Univision contributed nearly $850 million in cash and in-kind value to support the U.S. Hispanic community. We are on track to deliver similar annual value in 2007.

In continuing to earn this trust and meet our responsibilities to the community, we take seriously our part in ensuring the success of the digital television transition and in ensuring that our Hispanic viewers benefit from its results, rather than suffer its consequences by being left behind.

The impact of the digital transition on our viewers is of particular concern to us because nearly 28% of Hispanic households — and 43% of homes where Spanish is the primary language — watch TV only via over-the-air transmissions according to a 2005 National Association of Broadcasters report to the FCC.

Unfortunately, most Hispanics, particularly our non-English speaking viewers, are not informed about the digital transition and the impending analog cut-off date of February 17, 2009. Unless we use the time left to educate and inform viewers on how to prepare for the digital transition, a disproportionate number of Hispanic viewers will no longer be able to rely on over-the-air broadcasts for critical news, weather, local programming, and emergency updates.

Hispanics could be uniquely affected and we want to make sure that they're the best-educated segment of the population about what the analog cut-off date means and what they can do to prepare for it.

It is therefore with pride that I can say on October 1st, Univision became the first major network to launch a multi-platform public service ad campaign preparing our Hispanic television viewers for the analog to digital transition set for February 17, 2009.

Univision's campaign — Una Nueva Era: Television Digital (A New Era: Digital Television) — will air on our Univision and TeleFutura TV networks and Univision Radio.

Our campaign will use Univision's media assets to raise awareness and educate consumers about the digital transition, creating a clear and positive message promoted through on-air efforts enhanced by local community outreach efforts.

Our efforts go far beyond 30 second Public Service Announcements. They also will include a Web page, multiple 30-minute TV specials, local newscasts, local outreach events and we will promote a Spanish language toll-free telephone number that is being set up by the FCC and the Commerce Department's National Telecommunications and Information Administration.

Additional components of our campaign include offering our viewers general information on digital television and how to receive it. We will educate consumers on the NTIA's converter coupon program, including deadlines, to make sure our eligible viewers apply for, and redeem, their coupons in a timely manner. We also will provide Latinos with information on the resources and services available to assist them with the digital transition.

In addition, we will be working with retailers to help ensure that they have Spanish-language signage and in-store materials about digital TV in markets where there's a high-density Latino population.

Our education campaign's collaborative efforts will be teamed with national and local community based organizations well-situated to maximize the positive impact of our campaign. Univision will be working with the Hispanic Technology & Telecommunications Partnership, National Council of la Raza (NCLR), National Hispanic Council on Aging (NHCOA), and the National Association of Latino Elected and Appointed Officials (NALEO).

Sixteen months from now, our nation will take the final step in moving from analog and crossing over into the digital era of television broadcasting. While we still face many challenges, rest assured Univision is dedicated to doing its part to inform and prepare its viewers for that transition.

Chairman Markey, Ranking Member Upton, and Members of the Subcommittee, we look forward to working with you to ensure the digital transition takes place as planned and that its full benefits become a reality for all members of our national community. Thank you for inviting me to participate in this hearing, and I look forward to answering your questions.

Mr. MARKEY. Our next witness is Dennis Swanson. He is the president for station operations of the Fox Television Stations, Incorporated.

We welcome you, Mr. Swanson.

STATEMENT OF DENNIS SWANSON, PRESIDENT, STATION OPERATIONS, FOX TELEVISION STATIONS, INC., NEW YORK, NY

Mr. SWANSON. Chairman Markey, Ranking Member Upton and members of the subcommittee, thank you for this opportunity to testify today on the digital television transition.

From the outset Fox has strongly supported the transition and took the mandate to deploy digital broadcasting, especially in high-definition, very seriously. Antiquated analog broadcast equipment was abandoned, millions of dollars were spent, thousands of manhours were expended to build out new digital facilities and infrastructure. Fox worked with numerous vendors and manufacturers to design and build new digital cameras, production trucks, digital recording equipment and satellite systems.

The culmination of those early months of planning and work was the realization of an all-digital network broadcast center which is fully HD-capable to transmit content and commercial traffic to all Fox affiliates. Our viewers will be able to receive network and local programming in the new digital world.

Since the fall of 2004, Fox has produced and distributed more than 1,000 hours of sports in high definition. Our coverage has included weekly sports programming from the NFL, Major League Baseball and NASCAR, as well as major sporting events such as the just-completed 2007 World Series.

Congratulations to the Red Sox and to Chairman Markey on his team.

Being the home of prime-time hits such as House and American Idol, we also knew that viewers would not be fully satisfied without high-quality entertainment programming, and as a consequence Fox has aired approximately 1,300 hours of HD programming in prime time from September 2004 through August 2007, now including 100 percent of our scripted shows.

In addition to the operational build-out, a significant consumer awareness and education effort is necessary to facilitate the transition. Once again, we at Fox have pledged to commit considerable resources in support of the industry's collective effort to alert viewers. In order to make important information widely available, we have committed to the airing of public service announcements. They are already running in prime time on the Fox network and in various day parts on each of our 35 Fox-owned television stations.

We strongly believe that a voluntary industry plan is the most effective way to reach the public. But why is that? Because it recognizes that getting the message out is about more than just PSAs. It is about all the creative things we as broadcasters can do to reach our viewers, whether it is through our news and public affairs programming, creative campaigns or informational links on DTV transition on our Web site, just to name a few. Broadcasters are in the business of reaching viewers with both entertainment programming and important news and information. Therefore,

broadcasters are the most qualified to determine how to reach viewers with the message about DTV transition.

It bears restating that the transition will be successful if benefits to viewers are maximized while disruptions are minimized. Two issues have the potential to disrupt the transition: an FCC proposal to allow unlicensed devices in so-called white spaces in the television broadcast band and the protection of broadcast content from unauthorized redistribution over the Internet.

With respect to the white space issue, we support the use of fixed devices, but we have grave concerns about introducing personal and portable unlicensed devices in the television broadcast band. We are concerned that interference from these devices would disenfranchise millions of consumers who have purchased expensive new digital television sets. The converter boxes funded by the program authorized by this committee would be subject to the same interference.

The transition could also be negatively impacted if the broadcast flag is not adopted to help protect high-quality broadcast programming from being illegally redistributed over the Internet. Currently DTV stations are legally obligated to broadcast content in-the-clear with no protection. As a result content providers, networks and broadcasters face a grave threat from rampant piracy and theft due to the fact that perfect copies of digital programming can be easily captured and retransmitted without authorization. Without the protection of the broadcast flag, high-value content could move from broadcast to cable or satellite, thereby threatening the future of free over-the-air television.

In closing, we will continue to work toward our collective goal of a bright future for digital television. Thank you, and I will welcome your questions.

Mr. MARKEY. Thank you, Mr. Swanson, very much.

[The prepared statement of Mr. Swanson follows:]

TESTIMONY

Of

DENNIS SWANSON

President of Station Operations
Fox Television Stations, Inc.

Before the

Subcommittee on Telecommunications and the Internet
of the Committee on Energy and Commerce
U.S. House of Representatives

On the

"Status of the DTV Transition - Part 3"

Wednesday, October 31, 2007

Chairman Markey, Ranking Member Upton, and Members of the Subcommittee: Thank you for this opportunity to testify today on the digital television transition. My name is Dennis Swanson and am I appearing on behalf of Fox Television Stations, Inc., (FTS) where I serve as President of Station Operations. FTS is a group of 35 television stations in 26 markets throughout the United States, including WFXT-TV in Boston, WNYW-TV in New York, KTTV-TV in Los Angeles, and WFLD-TV in Chicago. Our stations are primarily affiliated with the Fox Broadcasting Company, but ten are affiliated with the fledgling MyNetworkTV.

As this Subcommittee is well aware, Congress mandated that broadcast television stations abandon the analog airwaves and begin broadcasting exclusively in digital by February 17, 2009. This switch to digital television will bring many benefits to viewers, in the form of greatly enhanced pictures, sounds, interactive video and data services. In the remaining 15 months until the transition occurs, Fox will be working with others in this and related industries toward a successful transition, characterized by minimal disruptions, and maximum benefits.

From the outset, Fox has strongly supported the digital television transition, and took the mandate to deploy digital broadcasting, especially in HD, very seriously. Antiquated analog broadcast equipment was abandoned, millions of dollars were spent and thousands of man-hours were expended to build out brand new digital facilities and infrastructure. Fox worked with numerous vendors and manufacturers to design and build new digital cameras, Dolby audio equipment, production trucks, splicers, editing

machines, digital recording equipment, and satellite systems. The culmination of those early months of planning and work was the realization of an all-digital network broadcast center which is fully HD-capable to transmit content and commercial traffic to all Fox affiliates. The experience also provided Fox with a transition blueprint to help our owned stations as well as our affiliate partners to build their digital facilities so that viewers would be able to receive network *and* local programming in the new digital world.

In the Fall of 2004, Fox began televising many of its exclusive live sports events in HD. Since that first HD telecast, Fox has produced and distributed more than 1,000 hours of sports in HD. Our coverage has included weekly sports programming from the NFL, MLB, and NASCAR, as well as major sporting events like the Super Bowl, World Series and Daytona 500. We knew that providing programs that consumers value in HD would help drive them to buy new digital television sets. And that is what happened.

Being the home of prime-time hits such as "House" and "American Idol," we also knew that viewers would not be fully satisfied without high-quality entertainment programming and, as a consequence, Fox has aired approximately 1,300 hours of HD programming in prime-time from September 2004 to August 2007 including 100 percent of our scripted shows.

In addition to the operational build-out, a significant consumer awareness and education effort is necessary to facilitate the transition. Once again, we at Fox have pledged to commit considerable resources in support of the industry's collective effort to

alert viewers. Earlier this month, the broadcast industry announced a comprehensive $697 million consumer education campaign. The campaign envisions a multi-faceted approach to reach television viewers. Fox was one of 95 broadcasting companies representing 939 television stations nationwide that specifically endorsed this plan.

In order to make this important information widely available, we have committed to the airing of a public service announcement (PSA). The PSA provides information about the transition, and refers consumers to the useful website www.DTVAnswers.com and toll-free hotline at 888-DTV-2009. They are already running during prime time on the Fox network and on each of our 35 Fox-owned stations.

We strongly believe that a voluntary industry plan is the most effective way to reach the public. Why? Because it recognizes that getting the message out is about more than just public service announcements (PSAs). It is about all the creative things we as broadcasters can do to reach our viewers, whether it is through our news or public affairs programming, through creative campaigns, such as giving away digital TV sets on our morning news shows, providing a link for information on the DTV transition on our website, or airing PSAs on Fox All-Access, a syndicated radio station that airs in more than 100 markets every week. *Broadcasters* are in the business of reaching viewers, with both entertainment programming and important news and information that needs to be conveyed. Therefore, *broadcasters* are the most qualified to determine how to reach viewers with the message about the DTV transition.

Additionally, Fox intends to extend our consumer education outreach to those groups that may be most directly impacted by the transition. Nearly 34 percent of Hispanic households and 27 percent of African-American households rely solely on over-the-air transmission for their television viewing, as opposed to only 14 percent of Caucasian households. It is clear from these numbers that the DTV transition will disproportionately affect communities of color as well as other socially and economically disadvantaged segments of the population.

With the assistance and expertise of our Diversity Development Group, we are working on a grassroots effort to partner with local and national minority public interest organizations to disseminate materials and information in English, Spanish, and Asian dialects on the upcoming digital transition. Furthermore, we intend to dedicate a prominent section of our diversity development website to educating and guiding consumers through the DTV transition. We believe that this is the right thing to do. And we at Fox also believe that as a responsible broadcaster, it is good business to serve the needs of all segments of the communities of which we are a part.

It bears restating that the DTV transition will be successful if benefits to viewers are maximized while disruptions are minimized. Two issues have the potential to disrupt the transition: unlicensed, so-called "white space" devices in the television broadcast band and protection of broadcast content from unauthorized redistribution over the Internet.

With regard to the white space issue, Fox supports the use of *fixed* devices in the spaces between television signals (hence the name "white spaces"). However, we have grave concerns about introducing *personal and portable* unlicensed devices in the television broadcast band. We are concerned that interference may disenfranchise millions of consumers who have purchased expensive new digital television sets only to find that they do not work. Even small amounts of interference can render a perfect digital picture unwatchable, thereby making the benefits of sharper pictures and crisper sounds meaningless.

In fact, the portable white space devices developed to date have failed to pass muster at the Federal Communication Commission (FCC), which concluded that "[w]hite space devices submitted to the Commission for initial evaluation do not consistently sense or detect TV broadcast or wireless microphone signals."[1] Because the devices are unlicensed, it would be impossible to correct any interference problems once the devices are in the hands of consumers. A neighbor's use of this device could interfere with your television set, but you would have no idea where the interference was coming from, and your neighbor would not know he is interfering. The potential levels of interference from unlicensed devices could result in irreparable damage to the digital television band and undermine consumer confidence in digital technology.

The transition also could be negatively impacted if the broadcast flag is not adopted to help protect high-quality broadcast programming from being illegally

[1] *Office of Engineering and Technology, Federal Communications Commission,* Initial Evaluation of the Performance of Prototype TV-Band White Space Devices, July 31, 2007 at x.

redistributed over the Internet. Currently, DTV stations are legally obligated to broadcast content in-the-clear with no protection (*i.e.,* unencrypted). As a result, content providers, networks and broadcasters face a grave threat from rampant piracy and theft due to the fact that perfect copies of digital programming can be easily captured and retransmitted without authorization. Interestingly, cable, satellite and Internet Service Providers offer a wide variety of content protection systems. Not so with broadcast digital television, which suffers from an absence of effective broadcast flag regulation.

This imbalance ultimately places the long-term viability of free over-the-air television service in jeopardy. Prime-time ratings winners for Fox, like "Prison Break," "House," "American Idol," and "24," as well as live sporting events, are snatched out of the air and illegally disseminated over the Internet, or illegally uploaded to peer-to-peer sites. These programs are, of course, the currency of the free over-the-air broadcast business model, which relies on high quality programming to attract and retain viewers, and the support of advertisers to help pay for programming.

Broadcast flag regulation will have little or no impact on consumers' legitimate consumption and enjoyment of over-the-air digital television. It allows for consumers to make copies of their favorite shows, use home networking and remote access technologies, as well as new technologies that have not yet even been conceived. In addition to protecting local broadcasting and helping to ensure the viability of the digital transition, the broadcast flag will stimulate American technological prowess in content protection and management technologies.

So Fox would appeal to the members of this Subcommittee to support legislative language to provide the FCC with the legal authority to reinstate broadcast flag regulation.

In closing, I would note that we are in the home stretch of a hard fought race. We will continue to work, in the remaining days, to realize our collective goal of a bright future for digital television. We at Fox applaud Chairman Markey and Congressman Upton for holding this hearing today, and look forward to working with this Subcommittee to bring the transition to a successful conclusion.

Thank you for the opportunity to appear today, and I welcome your questions.

Mr. MARKEY. Our next witness, Michael Vitelli, is the senior vice president for merchandising for Best Buy Company, and he is representing the Consumer Electronics Retailers Association.

We welcome you back, Mr. Vitelli.

STATEMENT OF MICHAEL VITELLI, SENIOR VICE PRESIDENT AND GENERAL MANAGER, HOME SOLUTIONS OPERATING GROUP, BEST BUY, INC., RICHFIELD, MN

Mr. VITELLI. Chairman Markey, Ranking Member Upton, thank you for inviting me again before your subcommittee on behalf of Best Buy and the Consumer Electronics Retail Coalition. I was privileged to participate in the first part of this oversight hearing on March 28 of this year. The last time I was here, we had few specifics because there were few to be had. Today we have more to report.

Two weeks ago I signed a filing in the FCC's DTV consumer education docket, and in that filing we were much more specific than I could be 7 months ago. We assured the Commission, and I confirm today, that Best Buy has made the following commitments. First, on October 1 Best Buy stopped selling analog tuner TVs and video equipment. We explained this to our consumers as an element of the DTV transition. The news coverage alone of our decision has already done much to alert the public about the transition itself.

Best Buy announced it will participate in the NTIA Converter Box Program. We still have technical issues that we are working on with the IBM team. We also have concerns about some FCC policy issues and the potential for parallel and perhaps conflicting NTIA and FCC enforcement regulations. But Best Buy is beyond the point of no return.

Third, Best Buy will continue to train our staff to help prepare our customers for the transition.

Fourth, we will provide information to our customers regularly through material in our ads, video loops shown on the TVs in our stores, our version of PSAs, in store signage and pamphlets and educational information on our Web site, all in English and Spanish. And soon we will have a DTV transition notice on the back of all of our sales receipts.

Other CERC Board members, including Circuit City, Radio Shack and Target, have made similar commitments, but there are still items requiring attention. First we need to develop a tenor or partnership between the public and private sectors involved. In the DTV Transition Coalition we have established a constructive and effective partnership with the members of broadcasting, cable, electronics and entertainment industries and with public interest groups such as the Leadership Conference on Civil Rights. But in order for the transition to be ultimately successful, we need a similar partnership with the FCC, the NTIA and with Congress itself.

The second open item is to provide clarity on the roles of those partners. I do have concerns about potential efforts to extend the reaching authority of the FCC into areas with which they have neither experience nor clear delegated authority. In our view, doing so would likely be counterproductive to this transition, to our very important FCC partnership, and to the vital success of the NTIA pro-

gram. It is crucial that we have one enforcement mechanism related to the coupon program so that expectations are clear and customer needs are met.

The third open item requiring attention is the need to provide clarity to the participants and to consumers about the coupon programs and the key dates. The central questions are when will retailers be prepared to accept coupons and deliver converter boxes? How many and when can boxes be produced by manufacturers each month? And when should the NTIA mail out the coupons? Obviously all these issues are linked.

We are working frequently and aggressively with the members of the IBM team that is assigned to the retailer implementation, and as of today, here is my best estimate and advice. The date we have estimated to have our point-of-sale and payment systems modified and thoroughly tested to satisfy the NTIA regulations and to avoid fraud or consumer disappointment is closer to April 1 than January 1. And accordingly, my recommendation today is for the NTIA to tell consumers who send in their coupon applications in early January not to expect to receive their coupons before April 1. Now, doing so will ensure that the critical systems will work, that we will be able to provide early demand information to the manufacturers for production to allow early application data to help all of the participating retailers match inventory with demand and get the product in the right place, and to provide clear direction to consumers.

If Government and industry working together can exceed these customer expectations, that is going to be great. What we don't want to do is to leave the same customers and constituents apprehensive or to set unrealistic expectations or, worse yet, open the system up to fraud, failure or consumer inconvenience. This would only lessen the public's confidence in a very vital program to which we are very committed and we think can be very successful.

In conclusion, Best Buy has become the leading consumer electronics retailer by meeting and exceeding our customers' expectations and needs. We want them to be Best Buy customers for life. We face stiff competition from other retailers who also seek their allegiance and loyalty, and this alone is a powerful motivator to us.

We in the private sector have demonstrated that we are capable of partnership with each other and with the Government, and we are now reaching out to the Government to help forge a coherent and effective solution, and in return we need partnership, not confrontation.

I am reminded of an old fable of a contest between the wind and the sun, and they spotted a man wearing a very heavy coat and made a bet of whether or not they could get this coat off. And the wind blew ferociously, and the man hugged his coat tighter. The sun's plan worked a little bit better, and we believe it is time to let the sun shine in on the DTV transition.

Thank you very much.

Mr. MARKEY. Thank you, Mr. Vitelli, very much.

[The prepared statement of Mr. Vitelli follows:]

Statement of
Michael Vitelli
Senior Vice President and General Manager
Home Solutions Operating Group
Best Buy Co., Inc.

Before the
Subcommittee on Telecommunications and the Internet
House Energy and Commerce Committee

Status of the Digital Television Transition Part III

October 31, 2007

Chairman Markey and Ranking Member Upton, thank you for inviting me to appear again before your Subcommittee on behalf of Best Buy and the Consumer Electronics Retailers Coalition (CERC).[1] I was privileged to participate in the first part of this oversight hearing, on March 28 of this year. Looking back over the past seven months, I want to share with you our view of the progress that has been made, and of the challenges and determinations that lie ahead.

Where We Were Then

Back in March, our DTV Transition Coalition, which CERC founded along with APTS, CEA, and NAB, was not yet two months old. Best Buy is one of its 170 members. You will be hearing today of all that we have accomplished by working together on common messaging and consumer outreach, and our joint view of what else needs to be done. We are very proud of the role that CERC has played in working cohesively with the other members of the private and public-interest sectors in consumer

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[1] Other members of CERC include specialist retailers Circuit City and RadioShack, and general retailers Amazon.com, Sears, Target and Wal-Mart, as well as the three major retail associations – the North American Retail Dealers Association (NARDA), the National Retail Federation (NRF), and the Retail Industry Leaders Association (RILA).

education and in helping to coordinate a cohesive message on the impact that the DTV transition will have, and the choices consumers will have to insure that every household is able to receive a TV broadcast signal on February 18, 2009.

In March, we had commented on and endorsed the NTIA's CECB program regulations, and we were working constructively with the NTIA staff about what would attract the greatest possible number of retailers, of all sizes, to participate in the program. At that time we were still more than four months away from NTIA's selection of a Program Contractor. CERC and its members had extensive discussions with any and all potential contractors to help them shape plans that would be inviting to retailers.

Best Buy participated actively and with determination in many of these meetings and briefings. But we could have no idea which team would be selected, or what systems or technologies they would ask us to implement. The proposals to the NTIA were creative but varied widely in concept, form, and implementation. Some of the proposals may have made the program technically infeasible for us, which is why I was unable to comment more specifically about our intentions on March 28th.

Where We Are Now

To give you a snapshot of where we are now, I was able to be more specific about our plans in a filing, that I signed, that we made with the FCC, in its DTV Consumer Education Docket, two weeks ago:

> Best Buy hereby advises the Commission of the following public education and NTIA undertakings, some of which are already in process:
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> - As of October 1, 2007, Best Buy stopped selling analog-tuner video equipment.
> - Best Buy will participate in the NTIA CECB program.

- Best Buy will educate the public in many ways including as follows:
    - Best Buy will include educational items about the DTV Transition and the end of analog broadcasting in its in-store "video loops" that are shown on the TVs displayed for sale.
    - Best Buy will deploy retail signs about the Transition and the end of analog broadcasts.
- Best Buy will conduct additional and more specific training for its sales associates about the DTV Transition and the NTIA CECB program, including appropriately addressing the expressed needs of customers for CECB products in aid of their existing TVs, if this will suit their needs better than would the purchase of a new TV.
- Best Buy will include DTV Transition information in a variety of advertisements.
- Best Buy will make available to its customers its own pamphlet material as to the DTV transition in our stores, plus that of the FCC, NTIA, CERC, and DTV Transition Coalition [via BestBuy.com].
- Best Buy will continue to use its web site to educate consumers about the DTV Transition and the NTIA CECB program as more specific information becomes available.

I have submitted the full text of this filing, and similar filings made by our fellow CERC Board Members Circuit City, RadioShack, and Target, for the record as an Appendix to this statement, along with the English and Spanish versions of the CERC Consumer DTV Guide.

Where The Government Is Now

The FCC. We share your interest, Chairman Markey, and that of Chairman Dingell, in the FCC's pending rulemaking on DTV Consumer Education. In CERC's Comments filed on September 17 in that rulemaking, we agreed that FCC leadership is vitally important to a successful Transition, and we pledged to work with Chairman Martin and the Commission to these ends. CERC said (emphasis in original):

As the critical time periods for the DTV Transition approach, CERC and its members believe it is more important than ever that there be a *unified* government and private industry message to the public, and a carefully coordinated means of reaching the public and answering citizens' questions. CERC agrees with House Energy and Commerce Chairman Dingell and Subcommittee Chairman Markey that the Commission should play a leadership role in these respects. We pledge the cooperation of CERC and its members to continue to assist the Commission in this role.

Over the last month most CERC members have consulted with the Commission, via the Chairman, the Chairman's office, bureau staff, and/or Commissioners' legal advisors, and in this process have advised of their specific plans to inform and assist their customers as key Transition dates approach. Undertakings discussed with the Commission, some of which are already in process, cumulatively[2] are expected to include:

- Additional and more specific training for sales associates
- Retail floor signage about the Transition and the end of analog broadcasts
- Pamphlets with retailers' own advisories, distribution of FCC, NTIA, CERC, and DTV Transition Coalition printed material; links / frames to CERC and official sites
- Inclusion of DTV Transition advisory information in advertising supplements
- Participation in the NTIA CECB program
- Specialized web site about Transition as part of web store
- Inclusion of Transition / end of analog information in in-store "video loops" (specialist retailers)
- Continued implementation of Commission-required labels until stocks of covered products are exhausted

Given the variety in the sources and, potentially, the content of published material and Internet advisories pertaining to the Transition, CERC, as a member and founder of the Steering Committee of the DTV Transition Coalition, has urged that early attention be paid to coordination in and rationalization of messaging and consumer contact points. For example, the public and private

[2] As CERC includes specialist as well as general retailers, and store-front as well as web-based retailers, not every undertaking may be feasible for execution by every CERC member.

> sectors need to pay careful attention to the number of "1-800" numbers that are offered to the public. They need carefully to coordinate the subject matter of each, the message communicated, and the resources available for answering questions. In this respect, the leadership role to be played by the Commission is as obvious as it is necessary. ***CERC and its members specifically commit to working with the Commission, via the DTV Transition Coalition and otherwise, to assist the Commission, pursuant to the requests of Members of Congress and the Commission's own responsibilities, in achieving a unified message that is strongly in the public interest at this critical time.*** We will also be responsive to additional needs as identified by the Commission.

The NTIA. As Best Buy's own October 16 letter to Chairman Martin and the other Commissioners indicated, Best Buy has announced publicly that it *will* participate in the NTIA "CECB" Program. Similar public statements (some with qualifications based on facts yet to be known) have been made by our fellow CERC Board members Circuit City, RadioShack, Target, and Wal-Mart.[3] Naturally, your Subcommittee, and members of the Other Body, are interested in further details, as you were on March 28 – *when* will we have the boxes on our shelves, *when* can we begin accepting coupons, *what* are our inventory plans, *how* will we serve our customers in a variety of situations, such as *expiring coupons, product returns, and upselling.*

As these are all business decisions, even though I am here for CERC as well as Best Buy, I can only address such questions on behalf of Best Buy, and I can only give you answers based on the best information that is available to us at this moment. These are important questions and I want to share with you our perspectives based on our latest information and perceptions:

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[3] CERC is also monitoring and encouraging non-CERC members' interest in participation and can report that a number of retailers – both large and small – have also indicated great interest in the CECB program.

- **When we will have boxes and accept coupons.** As soon as we can *and* satisfy our customers' expectations and guard against fraud or mistake. The precise answer depends on close coordination among four groups: our vendors, the NTIA, the IBM / CLC team, and ourselves.

    - **Vendors.** As you know, only two vendors have been certified at this time. Nevertheless, Best Buy is working diligently on its specification and ordering plans. We do need to work with our vendors to gauge demand, manufacturing capacity, and determine appropriate inventory levels, which depend principally on the next several factors.

    - **NTIA.** As the Subcommittee heard on October 17, NTIA has struggled with competing considerations – on the one hand it would like to begin distributing coupons as close to January 1, 2008 as is possible. On the other hand, it has no control over the fact that coupons expire in 90 days, so does not want to mail them until there is a reasonable assurance of fulfillment – that retailers and CECB manufacturers will be ready to meet the demand.

    - **IBM / CLC Team.** Best Buy has been working with CLC on a frequent basis to meet our objective of being able to accept CECB coupons, *and* be reimbursed for them, at the earliest possible date. Based on these discussions, with respect to our stores we are now projecting that the date for having our Point of Sale and other necessary systems modified and thoroughly tested, so as to resist fraud and consumer disappointment, would be *closer to April 1 than to January 1.*

      Based on our previous investigations and consultations we were encouraged with the selection of IBM / CLC and the redemption options they presented for retailers to participate in the CECB program. However there is some information we are still waiting to receive that is required for successful implementation of the coupon solution. In addition, their solutions do not work well for us with respect to our web store. We foresee providing full CECB information on our web site but at this point it is highly unlikely that we will be able to process coupons on line. *However,* this does not seem as vital to the success of the program as involving our storefronts, *provided* that there is a sufficient number of web sellers, because UPS and FedEx have the same geographical reach irrespective of the identity of the seller. (If there are *not* enough web-based sellers, this suggests an issue with the program rather than one as to Best Buy.)

    - **Best Buy.** Best Buy's final determinations and plans must depend on the variables discussed above. I can assure you, however, that Best Buy wants to be able to offer a solution for our customers in any

product area of concern to them that is within our sphere, and the CECB is such a product area. We are working *very* aggressively with a vendor and with CLC, and to gauge and meet demand. We want to work with CERC, the rest of the Transition Coalition, the NTIA and the FCC to identify the sources of demand, track the issuance of coupons, and assure that we will have product positioned to meet the demand. This will entail some guesswork by all involved. To the extent it is commercially appropriate we will keep this Subcommittee informed as to our successes and challenges.

My candid evaluation and recommendation based on everything Best Buy knows today is that it would be prudent for consumers who send in their Coupon applications in early January to be told ***not to expect*** to receive their coupons before April 1. If government and industry, working together, can ***exceed their expectations***, that will be great. But I think consumers will understand that the Transition will occur more than 9 months after April 1, 2008 and that no matter when received they will have about 90 days from receipt to use the Coupon. We always want to exceed consumer expectations. What we *don't* want to do is to leave our customers apprehensive, or to set unrealistic expectations that we and our government and manufacturer partners can meet only through implementations that would open the system up to fraud or consumer inconvenience. This would only lessen the public's confidence in it.

- **Expiring Coupons.** CERC had opposed the 90-day expiration of CECB Coupons on grounds of potential customer confusion and disappointment, but it is statutory and hence binding on the NTIA so we must deal with it. On October 17 Secretary Kneuer was asked what a retailer who happened to be out of stock would do if a customer came in with a Coupon that was about to expire, and he (rightly, in my view) said that he expected the retailer to handle it in a commercially reasonable way. I can give you a more specific answer for Best Buy. We could give that customer a number of options that are consistent with the requirements of the law and the Program:
    - **Complete the sale** and give the customer the choices of –
        - Pickup at the same store at a later date.
        - Home delivery (a standard charge for shipping may apply).
    - **Refer the customer** to another Best Buy store with inventory (we do not understand the Program to allow us to accept the coupon but to complete the sale at a later date).

These options involve time-consuming work for us as well as our customers. Obviously, this provides a **commercial incentive** for us simply to have the boxes on-hand whenever customers come in with Coupons. As I testified in March, however, the **demand** for CECBs is exceedingly difficult for us, our vendors, the NTIA, and the IBM Team to predict, either in the aggregate or in terms of timing; not to mention the complexity of getting each store's inventory correct in a multi-store national chain.[4] So we can only do our best. Please remember, Best Buy regards every CECB customer as a potential Best Buy customer for life over a broad range of products, so we have no incentive to disappoint or frustrate any customer.

- **Product Returns.** When the NTIA sought public comment in its Notice of Proposed Rulemaking, it proposed not allowing product returns due to the difficulties these could cause for the Coupon program. CERC commented that this would disappoint customers, and proposed that all elements of the program should be reversible and refundable, including the Coupon itself. NTIA did provide a more flexible scheme as to *exchanges,* but ruled that it could not allow a retailer to re-validate a used Coupon, as only the Government can issue them.

    - So, a retailer that carries more than one CECB model can exchange one CECB model for another, subject to its returns and exchange policy. If the model is higher priced, the consumer would be expected to pay the difference. If the model is lower priced, the retailer can refund the difference (only as much as it exceeds the coupon value). Similarly, a retailer can accept a return and in such case can refund to the consumer the price paid over and above the Coupon value. But it is not in our power to restore value to a coupon if a consumer wishes to return the CECB that he or she purchased. ***This is one of many reasons that we need to work with government and industry to help educate consumers against unnecessary and improvident use of Coupons to buy CECBs that the consumer ultimately would want to return.***

    - Of course, for every return of a product for which we had accepted a coupon, we will need to inform CLC and/or the NTIA that the product was returned. We will need to work out the accounting for the $40 re-imbursement. If we cannot re-sell the product as new, we are likely to lose money on it through no fault of our own or of our vendors.

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[4] Just last week, Zoran, a major component supplier, predicted publicly that the aggregate demand will not exceed 25 million CECBs. Such estimates have varied very widely and will be subject to a number of decisions, by others, yet to be taken, and events yet to occur.

Obviously, then, *Best Buy has a strong commercial incentive to try to avoid product returns,* as they are inconvenient for our customers, damaging to our business, and complicated for the NTIA Program. (This is true for all the products we sell.) We will, however, accept them, as we must.

- **"Upselling."** On March 28 I was, I must admit, somewhat surprised to hear the level of concern about potential "upselling" – steering consumers away from CECBs and toward new TVs, or other non-subsidized products, instead. Let me restate that *if an informed customer wants and needs a CECB, that will be the focus of the transaction at Best Buy. Anything else would be self-defeating on our part as it would damage long-term relationships with our customers, which are our lifeblood, and would lead to product returns which, as I have described, will cost us money and harm the NTIA program.* Conversely, as I indicated above, if a customer *has no over-the-air antenna and does not expect to use one*, the customer likely has no need of a CECB and it would ill-serve this customer, as well as the NTIA program and the Congress and the FCC, for us to try to sell one to this customer.

On the subject of "upselling," CERC's Executive Director, Marc Pearl, made some important points when he testified in the Other Body on October 17, and I want to share them with you and to assure you that Best Buy was consulted in their preparation, and endorses them:

"We have to bear in mind that we have two transitions, in parallel, in which our customers are interested. One is from analog to digital *broadcasting*. The other, which is of more interest to the majority of our customers, is from Standard Definition to High Definition *programming*. Our challenge and goal is to fully explain, to all customers, their options with respect to each of these transitions, which overlap but are of different natures. Already, *most* of the TV products on display in stores today are HDTV receivers. Retailers would not be serving their guests if they failed to explain how these products, and the programming they can support, differ from older, conventional displays and programming.

"We need to explain about the DTV Transition as well, but this is of concern primarily to those customers who rely on antennas. We have published much material on this subject and will address it on the sales floor as well. At present, with no CECBs on the shelves and some details still to be learned, we can only give these assurances, which are based on consultation with our members:

- Legitimate retailers are dedicated to learning and meeting a customer's needs and wants. These will largely be determined by the sources of programming in which the customer is most interested, and the available viewing space and budget.
- If a customer is interested in obtaining a CECB to service an existing TV, VCR, etc., this will be the focus on the sales discussion and transaction. If the customer is interested in upgrading to a new digital TV or an HDTV display, to better experience and enjoy watching DVDs or high definition DVDs, or in receiving digital broadcasts in a new TV or recording product, this will be the focus of the transaction.
- It would be foolhardy to try to divert a customer from his or her needs or wants. Most customers do substantial research before visiting a store to make a purchase, and improvident purchases lead to product returns, which are costly for retailers."

"Enforcement"

Knowing the interest of this Subcommittee in the FCC's role in consumer education, and in potential "enforcement" of requirements, I want to share with you our experience to date, as both a caution and a candid plea for this Subcommittee, through its oversight authority, not to push the Commission into areas in which the FCC's authority is questionable at best, and in which it has little experience or expertise.

The original "DTV Transition" legislation, as crafted in this Subcommittee, required manufacturers of televisions with only analog tuners to affix consumer advisory labels, which retailers could leave on the product or move to an adjacent shelf position. This provision, on which the CERC worked closely with CEA and with Committee staff,

unfortunately was dropped from the Senate Budget Reconciliation bill on grounds of germaneness, despite having been uncontroversial.

In late April of this year, without appreciably consulting retailers, the FCC adopted a labeling rule that applied only to retailers (by this point further importation of "analog-only" products was no longer allowed), and, unlike the House bill (or the current H.R. 608), covered recording products as well as TVs. It was adopted at the FCC's April 25 meeting, not released until the next week, and in the absence of an FCC press conference after that particular Public Meeting, it took several days and inquires to confirm what it was meant to cover. It became effective, on extremely short notice, on May 25.

Beginning May 29, the FCC sent inspectors from all of its regional offices into retail stores to gauge compliance and issue citations. ***In the absence of manufacturer labels or information, even these inspectors – trained engineers – made numerous mistakes as to which TVs and recording products had only analog TV tuners.*** Best Buy and other retailers made extensive, comprehensive, and good faith efforts to label every affected product – even though this is not at all a normal process for most retailers – but starting in July the FCC began recording proposed fines of $8,000 for *every instance* of a single store offering a product without a label. Despite these good faith, and largely effective executions in stores, Best Buy and other retailers face considerable fines.

Our communications with the Commission on this issue, and on the Commission's current DTV Consumer Education rulemaking, have begun a dialog in which Best Buy and other retailers have offered to work *with* the Commission on a voluntary basis to devise and execute a plan to provide consumer educational material in

stores and to help meet other goals of Chairman Martin. As part of this dialog Best Buy announced that, as of October 1, it had stopped selling "analog-only" tuner products entirely. Therefore we should have no remaining labeling issues, and we have informed the Commission as to specific plans to implement their Consumer Education goals, as well as our own, which have been in preparation for more than a year. Other retailers have made similar initiatives. We have spent much more on these initiatives than the FCC had proposed to fine us. Yet because the Commission's enforcement procedures were not designed for our industry, we find ourselves in the position of dealing with an agency that seemingly cannot take "yes" for an answer. This has been very frustrating and has diverted us from the partnership that we wish to pursue with the Commission.

In your hearing on October 17, it was suggested that the Commission should similarly involve its enforcement engineers in policing, and potentially assessing its own sanctions, in parallel with those of the NTIA, as to retailer implementation of the NTIA program. While our counsel have now dealt with most of the District Offices and have only admiration for the diligence and good faith and intentions of their personnel, based on our frustrating experience with labeling, I must say in all candor that such a parallel enforcement and sanctioning regime would likely pose a disincentive to retail participation in this vital program. Based on all its members' experiences, here is what CERC had to say on this subject in an October 19 filing with the Commission in the DTV Consumer Education docket:

While not privy to the language of any potential Order or Rule, the CERC representatives expressed concern over the potential effect such a measure might have on attracting retail participation in this *voluntary* NTIA program. In particular, the CERC representatives expressed concern over any provision that would involve FCC Enforcement Bureau personnel in FCC enforcement proceedings to penalize observed retailer practices in implementing this program, for which NTIA was given sole legal responsibility.

We noted that the NTIA's own regulations, adopted after public notice and comment, already address the issue of penalizing retailer execution of the program. These regulations provide only for de-certification in the event of poor performance.[5] An order making FCC field personnel available to *assist the NTIA in enforcing its own regulations* might not be inconsistent with the statutory scheme or with legitimate retailer expectations. We emphasized, however, that to the extent the involvement of FCC field personnel could lead to the assessment of forfeitures by the Commission, such activity would likely be a strong disincentive to retailer participation in the voluntary NTIA program – particularly given retailers' recent and ongoing experience with the potential assessment of forfeitures as to their good faith execution of the Commission's "analog-only" product labeling regulations.

The CERC representatives stressed that as an association of competitors, CERC could not predict, discuss, or address whether any retailer would decide to participate in or remain in the CECB program, with or without FCC adoption of such a rule. We reviewed the facts, however, that –

- In recent days and weeks, several major retailers, who are CERC Board members, have publicly announced their strong intentions to participate in the CECB program.

- CERC has urged all retailers of any size, whether or not CERC members, to favorably consider participating in the NTIA program, and has pledged to NTIA to make *all* information about the program available to all retailers, via the CERC web site, www.ceretailers.org. We stressed that CERC does not want to be in the position of advising retailers of the potential for Notice of Apparent Liability penalties to apply to those retailers who choose to participate, based on subjective evaluations, by FCC enforcement personnel, of their practices in dealing with consumers.

We noted that participation already involves a widely acknowledged difficulty in gauging consumer demand and retail inventory requirements, and additional expenses and risks inherent in modifications to Point of Sale and other

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[5] 47 C.F.R. 301.6(b)(3).

> systems, plus specific training, for a time-limited product. Therefore, retailers who choose to participate in this voluntary NTIA program are likely to have strong reasons for desiring to do so, and strong investments in their participation. Therefore, the sanction – arrived at by the NTIA after public notice and comment under its authority delegated by the Congress – of de-certification ought to, and indeed in the scheme enacted by the Congress must, be considered sufficient.
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> In summary, we stressed that CERC and its members have worked cooperatively with the Commission and with the NTIA on all occasions, beginning well before passage of the DTV Transition legislation, and that CERC and its members look forward to continuing to do so. While CERC greatly respects the competence and fairness of FCC field personnel, and recognizes their potential to assist the NTIA and the IBM Team in performing *their* responsibilities, we urged the Commission to refrain from potentially invoking the FCC's own forfeiture procedures and thereby posing a severe and obvious disincentive to retailer participation, at a time when major retailers have begun actively committing to this voluntary program.

Without going into business confidential detail, I can tell you that Best Buy has already made a very heavy investment in the NTIA program. We ourselves are, basically, past the "point of no return;" we have locked in various commercial commitments and, as I said, are working with the IBM / CLC team on a frequent basis. Other retailers, however – particularly the small independents in many of the communities that even our own 904 U.S. stores don't reach, are still looking at this program and the potential costs, liabilities, and pitfalls of participation. Best Buy has inside and outside counsel looking at the NTIA regulations, documents, and requirements. I expect that many independents are still struggling with the official requirements. CERC has pledged to try to assist *all* retailers in understanding and implementing the requirements. CERC's Executive Director and its outside counsel

spent *August 29th and 30th in Las Vegas* at a convention of independent retailers, none of whom is a CERC member, to promote and explain the NTIA program.[6]

As the CERC filing indicated, participation in the NTIA program entails a substantial investment of time, money, and risk for any retailer, large or small. Once into the program, no retailer wants to have to explain to its customers that it has dropped out because it has been "de-certified" for faulty execution. That is the penalty for which the NTIA regulations, adopted via direct statutory delegation after public notice and comment, provides. If the FCC is going to lend its enforcement personnel to assist the NTIA enforcement efforts, via an "MOU" as it has with respect to device certification, Best Buy and CERC can have no complaint. However, I respectfully suggest, and we have suggested to the Commission, that it would be counterproductive if the FCC Enforcement Bureau were to run an enforcement regime in parallel with the statutory one, with different metrics, expectations, and penalties.

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In conclusion, regardless of the complexity, we in the private sector have reached the point in the Transition where we have demonstrated that we are capable of partnership with each other and with the government. We are now reaching out to the government to help forge a coherent and effective solution. In return, we need partnership, not confrontation.

Thank you again for inviting me back.

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[6] The CERC website posts NTIA and FCC documents related to the Transition for the benefit of all retailers as soon as they come out. CERC has written advisories for retailers and was one of the first organizations to write and then continually update a Consumer Guide. The National Hispanic Media Coalition – whose CEO sat next to me at the March hearing – has co-logo'd the Spanish version of the Guide, as well.

Mr. MARKEY. And our next witness, Jonathan Abbott, is the president and chief executive officer of WGBH in Boston. He is here representing the Association of Public Television Stations.

Welcome, Mr. Abbott.

STATEMENT OF JONATHAN ABBOTT, PRESIDENT AND CHIEF EXECUTIVE OFFICER, WGBH, BOSTON, MA

Mr. ABBOTT. Thank you, Mr. Chairman. Mr. Chairman and Mr. Ranking Member, thank you for inviting me to testify about the digital television transition. I am honored to be here today representing not only my station, WGBH, in Boston, but also the Association of Public Television Stations, APTS, and my colleagues from the 364 locally owned and operated public television stations across the country.

As the leading producer of programming for PBS, WGBH views the digital transition as an extraordinary opportunity to enhance our public service mission. We create content that makes a difference in the lives of our audiences, whether it is science on NOVA, history on American Experience, drama on Masterpiece Theater, or literacy with Curious George and Arthur. The digital transition will allow WGBH and public television to provide greater access to this rich educational content, reaching viewers through new services that maximize the investment this country makes in public broadcasting.

My colleagues and I in public television have been strong supporters of the digital transition from the very beginning, recognizing the promise it holds for audiences. To educate consumers, public television has joined with the National Association of Broadcasters in a major commitment of airtime to inform viewers of the analog shut-off. Across public television the value of this in-kind communications contribution exceeds $50 million.

I am pleased to tell you, Mr. Chairman, that WGBH is a key participant in these efforts, using our prime-time and weekend programming. In combination with our extensive network of outreach to families, we will target hard-to-reach populations like seniors and ethnically and economically diverse households.

And WGBH is also uniquely suited to help reach people with disabilities. As you know from your leadership in this area, Mr. Chairman, television is a life-line service for the millions of Americans with hearing and vision impairments. WGBH has been a pioneer in not only providing captioning and description services, but now in advising public and private parties on how to do this effectively as the transition nears.

Still we realize that much more needs to be done in the way of public education. The latest survey research from APTS indicates that more than 50 percent of Americans have no idea that the transition is even occurring. Even fewer have awareness of their options to continue their television service. Additionally, few people understand why they must make a change. The majority of people surveyed said the Federal Government is on the wrong track when it comes to the transition. That distrust is even greater among people who have the least awareness of the switch-off.

Based on this survey data and other findings, WGBH joins with APTS in recommending the following actions by Congress and

other key players. First, Congress should make a real financial investment in consumer education. Congress has set aside only $5 million, which is narrowly limited to education about the NTIA coupon program, yet the Federal Treasury is expected to receive $12.5 billion in revenue at a minimum from the spectrum auction. A greater investment in consumer awareness at this time is just a sound business decision.

To fund a true grassroots campaign, we are asking Congress to invest at least an additional $20 million towards consumer education by public television and its partners in its communities, and it is critical that these funds be obligated in this appropriation cycle. Thanks to the leadership to Congressman Eliot Engel and his introduction of H.R. 2566, the National Digital Television Consumer Education Act, we are now headed in the right direction. Mr. Chairman and Mr. Ranking Member, we ask that you expedite consideration of this important legislation.

Second, Congress and the FCC must ensure that the digital signals of local public television stations are carried by satellite providers. APTS has reached landmark agreements with NCTA, ACA and Verizon to carry the HD and multicast programming from all public stations, including the new digital channel services, World and Create, which were developed by WGBH and 13 WNET New York.

For DBS, however, the situation is far different. Neither DirecTV nor EchoStar are carrying the HD signals of WGBH or any other public television station in the country, let alone our multicasting services. However, both companies are carrying the local HD signals of the commercial network affiliates. I admit it was nice to watch our Boston Red Sox win the World Series in HD, but I can imagine many public television shows that would be similarly enhanced.

While we would prefer a private carriage agreement with satellite, time is short. We need Congress to help ensure that the American people have access to the public television stations they help fund.

Finally, we urge Congress to continue to support public television in creating the new content and services that will drive consumer demand and interest in digital television.

Mr. Chairman and Mr. Ranking Member, in an era when media ownership is concentrated in fewer and fewer hands, public stations like WGBH are often the last locally owned and operated media outlets in their communities. The key policy goal of this transition must be the preservation of free over-the-air television, both commercial and public. It is essential to the health of this Nation's media marketplace and, more importantly, to our democracy. We appreciate your enduring support for public television and radio. We share your desire for a successful transition. Our recommendations today are delivered in that spirit.

Thank you. I look forward to your questions.

Mr. MARKEY. Thank you, Mr. Abbott, very much.

[The prepared statement of Mr. Abbott follows:]

United States House of Representatives
Committee on Energy and Commerce
Subcommittee on Telecommunications and the Internet

Testimony of Jonathan Abbott, President and CEO
WGBH Boston, on behalf of the Association of Public Television Stations
Status of the DTV Transition - Part 3
Washington, DC, October 31, 2007

Overview

As the leading producer of programming for PBS, WGBH Boston recognizes the extraordinary opportunity of the digital transition to enhance our ability to fulfill our public service mission. From our award-winning science series *NOVA* to our history documentaries on *American Experience*; from literary drama on *Masterpiece Theatre* to our educational children's series *Curious George* and *Arthur*; we create content that makes a difference in the lives of our audiences. The digital transition will allow WGBH to provide greater access to this rich content, reaching viewers through new services that maximize the investment this country makes in public broadcasting.

Along with the Association of Public Television Stations (APTS) and our fellow public television and radio stations across the country, WGBH has been a proponent of the digital transition from early on. We've been part of the education process at both the local and national level, outlining the substantial benefits of digital broadcasting with legislators, donors and general audiences, and seeking their support. Through that process WGBH secured $2 million from the Commonwealth of Massachusetts for our digital build-out. And we undertook a capital campaign for digital innovation that raised $4.9 million to support WGBH's digital programming and services. Our efforts were part of the $1.3 billion public broadcasters raised nationally to roll out a new generation of consumer friendly channels and services.

It's clear that public broadcasting is committed to a vibrant transition, and WGBH and our fellow stations are doing all we can to ensure its success. A consumer education campaign is now in the works for dedicating airtime, online resources and direct outreach to hard-to-reach audiences. We will employ our many communication resources in this effort, with a campaign that includes DTV action messages across daytime, prime time and weekend time periods. This national campaign will represent a $50 million commitment by public TV stations and will result in 3 billion impressions on the American public. In addition, our system will produce long-form programming and disseminate information through member guides that reach millions. Given our very limited number of non-programming minutes, this commitment represents a significant percentage of available air time.

Given adequate resources, public TV stations and our not-for-profit partners are uniquely positioned to go beyond this on-air commitment to provide direct, local educational outreach to the American public to guide them through this transition. But we cannot do this alone. A federal investment of $20 million, at a minimum, is essential to complement our efforts.

I also pleased to tell you, Mr. Chairman, what WGBH is doing in Massachusetts to ensure that no viewer is left behind. We will carry on-air messages for adult audiences during prime-time and weekend broadcasts on WGBH and WGBX, and WGBY in western Massachusetts, with a special emphasis on seniors, a viewing population that is in large measure reached primarily by public television. We also are committed to reaching the ethnically and economically diverse households that we know tune in to PBS children's programs. Our extensive network of educational outreach, established through many years of service with the federally supported Ready to Learn program, will allow us to share messages directly with at-risk families.

WGBH also is uniquely suited to communicate the DTV transition to another at-risk population, people with disabilities. As you know from your leadership in this area Mr. Chairman, television is a lifeline service for the millions of Americans with hearing and

vision impairments, and WGBH has been a pioneer in providing captioning and description services for them. Innovative and accessible methods of outreach to people with disabilities is essential for a successful transition, and WGBH has stepped forward to help advise all public and private parties as to how to do this effectively. Other beyond-broadcast measures will include direct-mail print materials, use of our monthly program guide, email information, and online resources. And we are planning for public forums about DTV in our new studio-auditorium facilities in Boston.

We believe that developing and promoting the consumer benefits of DTV is the best way to drive the transition and preserve free, over-the-air television. The message needs to be clear that digital television provides a future of expanded programming and services to benefit all consumers. Simply highlighting the potential loss of service if consumers do nothing will not drive the kind of enthusiasm and momentum needed to ensure a smooth transition that the American public fully supports. As a producing station, we know that it's all about good programming. No sector of the communications industry has embraced the promise of DTV more robustly than public television. The way we view it at WGBH is that the technology has finally caught up with our mission. An investment in the new generation of digital content and services from public television is a very effective way to increase value for the consumer and move the transition forward, as we have seen in other countries, notably the United Kingdom.

However, we believe the success of this transition faces unnecessary risk. Time still remains to address and mitigate the factors that are contributing to this risk, but with less than 16 months remaining before analog television broadcasting is mandated to end, the window for action is closing. The latest survey research by APTS indicates that more than 50 percent of Americans have no idea that the transition is occurring. Additionally, the majority of recent survey participants said the federal government is on the "wrong track" when it comes to the transition. That distrust is even greater among people who have the least awareness of the transition.

When Congress enacted the recent Medicare prescription drug benefit, the Department of Health and Human Services obligated approximately $109 million to advertise, educate and inform beneficiaries about the Medicare Part D program. This equates to approximately $3.11 per senior. In comparison, Congress has set aside only $5 million for DTV transition consumer education, and that is narrowly limited to education about the NTIA set-top box coupon program. This equates to approximately $0.08 per over-the-air individual. This funding is woefully inadequate, especially when one factors in the $12.5 billion the federal government is expected to receive in revenue from the spectrum auction.

We join with the public broadcast industry in requesting that the federal government invest meaningfully with us in a comprehensive consumer education campaign. The analog switch off is not market driven. Despite the enormous sums spent by industry stakeholders on the development and rollout of digital television, there is no dispute that for the past 20 years, the DTV transition has been a matter of industrial policy. Now, the federal government, as a primary beneficiary of the transition, must ensure that the transition is completed successfully. This requires that additional, substantial federal resources are invested in consumer education. We agree with APTS in its assessment that at a minimum, an additional $20 million in federal funding is needed for community outreach, particularly where seniors, non-English speakers and other vulnerable populations reside.

We also believe that it makes enormous sense for the high-technology companies that have pushed for a national "hard date," and who will have large investments in the spectrum at stake, to share in the responsibility of educating Americans about the conversion deadline. They need to help us ensure that February 17, 2009 is nothing more than "just another Tuesday." If the transition is not successful, and multitudes of Americans experience a Tuesday they will never forget, those companies' investments will be put at great risk.

Finally, WGBH strongly believes it is essential that the transition preserves and protects high-quality local media, programming and services. Localism is the bedrock of public broadcasting. Our system already has a landmark agreement with the cable industry to carry our new digital signals, and in Boston we have a strong partnership with Comcast New England. We need the same with direct broadcast satellite companies. And it is very important that consumers are protected from harmful interference to their DTV reception by the premature introduction of unlicensed devices into the broadcast band.

Public Television's Consistent Support of the Transition

All the recommendations I am making on behalf of public television are intended to increase the odds that the transition, as scheduled, will be successful. We completely support the hard date to terminate analog broadcasting in February 2009. Stringing it out would be highly detrimental to public broadcast stations. WGBH, for example, spends more than a half-million dollars annually for electricity and maintenance of our analog transmitters. For all of public broadcasting, those costs add up to $52 million. This is money that should be going to programming and services, not to the power bill and the production of more greenhouse gases.

All of us in public broadcasting support a successful transition because of the tremendous service opportunities digital has created. DTV is enabling us to rollout a new generation of programming and services for the American public and, in effect, reinvent public service media for the digital age. We already are beginning to realize this tremendous potential as we provide not only high-definition programming, but multiple new standard definition channels and new datacasting services, all simultaneously.

WGBH has been at the forefront of embracing the opportunities presented by digital. In partnership with our colleagues at Thirteen/WNET New York we developed two new digital channels, drawing on our substantial program libraries: *World*, which offers public affairs, history, science, and documentary programs; and *Create,* featuring how-to, travel,

and life-long learning programs. WGBH also now offers a full-time channel of favorite WGBH and PBS programs in high-definition format. These services offer viewers new and more flexible viewing options, tapping the possibilities the digital transition provides to meet audience needs in new ways. Public television also now offers *V-Me,* the first Spanish language public TV channel. In addition, WGBH provides several local digital services including a partnership with the City of Boston for a children's and families service. Many other public stations around the country are offering their own digital services, with localized content to meet the interests and needs of their communities.

Public broadcasting also is using DTV to enhance public alerts and warnings. In April 2007, APTS and the Department of Homeland Security/FEMA began the national deployment of the Digital Emergency Alert System (DEAS). Once fully implemented, public TV's digital television infrastructure will facilitate the delivery of Presidential emergency alert messages to digital televisions, radios, cell phones, PDAs and computers.

This DEAS deployment is a testament to the wide-range of expanded opportunities digital transmission presents, and as a system we look forward to working with Congress to find other opportunities to expand the successful DEAS model in addressing disaster and homeland security needs throughout the country.

Recent breakthroughs also allow for the delivery of video programming on mobile devices using local stations' DTV signals. Public television has been a full partner in developing this new platform, allowing WGBH and others stations in APTS' membership into the newly-formed Open Mobile Video Coalition.

These new digital services are the future of noncommercial, public service media in America, and stations are eager to phase out our legacy analog services and focus on this digital future.

Polling Data: 21.5 Million Households at Risk

Public broadcasting is fully committed to the digital future. However, we are seriously concerned that many of the 21.5 million American TV households who depend upon over-the-air broadcasting to receive our programming will be stranded if we proceed with an under-funded consumer education campaign and an unmanaged transition process.

Beginning in November 2006, APTS commissioned the polling firm CENTRIS—which specializes in tracking consumer use of electronics products and services—to conduct scientific surveys of American television consumers to guide our system in our transition efforts. Here are the latest findings from the third quarter of 2007:

- More than half of all surveyed Americans (51 percent) say they have "no idea" the transition is taking place. This is a 10 percentage point improvement from the last quarter of 2006, but it is still unacceptable.
- Only 7 percent of survey respondents, when asked when the transition would end, could accurately answer "between one and two years."
- There is great confusion about what consumers will do to deal with the transition. More than half of all respondents (54 percent) say they either "don't know" what they will do or will "do nothing" to receive television after the transition.
- Every federal office holder has a stake in the success of the DTV transition. Of consumers surveyed, 55 percent said the government was on the "wrong track" with the transition.
- The more consumers reported knowing about the transition, the more likely they were to say the government was on the "right track." Of those who were "aware" 22 percent said the government was on the "right track." Only 7 percent of "unaware" said the government was on the "right track.
- The CENTRIS data confirms that older Americans are at a disproportionately greater risk of being left behind when the conversion occurs. Older Americans (24 percent) are more likely to receive their signals via an over-the-air antenna than are Americans under 65.

- Over the past three years, older Americans (41 percent) have bought newer TV sets at a much slower pace than Americans under 65 (55 percent), which puts them at a disadvantage of having little exposure to newer digital technology and point-of-sale information.
- The number of over-the-air households has changed little since 2004. It currently stands at approximately 21.5 million households, which represent approximately 61 million individuals.

Recommendations for Action in Time Remaining

Based upon this survey data and other findings, WGBH joins with APTS to recommend the following actions by Congress and other key players in the DTV transition.

1. Congress must provide a real financial investment in consumer education. It seems clear that the Administration will not allocate, nor even request, funding for this basic necessity of a national DTV consumer education campaign. As such, we call on Congress, as we have for infrastructure conversion funds, to allocate resources for consumer education. We are not requesting a new, permanent federal program, but a one-time, substantial outlay in basic public education activities.

   I have outlined how public television, along with our commercial colleagues, will invest significant resources in DTV consumer education. However, our efforts alone will not be enough. In addition to TV spots, direct mail, town meetings, events at senior centers, phone banks and similar efforts all are necessary components of a successful campaign. The government itself is a major stakeholder and must provide additional funds for a comprehensive grassroots campaign.

   To fund the appropriate level of activities needed to undertake the campaign, we ask Congress to invest a minimum of $20 million for grassroots consumer

education and outreach. These funds would be distributed through our local public stations and our not-for-profit partners in the community.

We recognize and appreciate the leadership of Congressman Eliot Engel in his introduction of H.R. 2566, the National Digital Television Consumer Education Act. That bill sets up a grant program to carry out just such a purpose. Mr. Chairman, and Mr. Ranking Member, we ask that you expedite consideration of this important legislation. Additionally, we ask that you communicate directly with the Appropriators to ensure that at least $20 million for consumer education is appropriated in the FY08 Appropriations cycle.

Public broadcasting is perfectly suited to undertake a grassroots consumer education campaign, as we have been at the frontline of educating elected officials, corporations and our viewers about the transition for the past decade. Additionally, by virtue of our educational mission to address underserved populations through broadcast media and person-to-person outreach, local public stations like WGBH have deep and effective ties to the many local institutions, organizations, advocacy groups and service providers that directly connect with these constituents.

Public television stations also possess an unparalleled universal broadcast coverage (99 percent of American households in analog and currently 96 percent in digital), a local presence in each community, a nonprofit educational mission and a history of effective outreach projects that bring information and guidance to Americans beyond the television screen. And public TV has America's trust, as reflected by four consecutive years of Roper polls, which ranked PBS as the most trusted public institution in our country.

Given our resources, our experience and our mission, public broadcasting has the expertise and tools necessary for managing a national grassroots consumer education campaign. We are prepared and eager to undertake this effort, but it

will take a commitment by Congress to make adequate investments in this campaign to ensure that no viewer is left behind.

2. We call on Congress to ensure digital carriage of local public TV stations by direct broadcast satellite (DBS) companies. Localism is at the heart of public broadcasting, but the multitude and diversity of local voices are threatened by a transition to digital that does not guarantee carriage by DIRECTV and EchoStar, which together serve nearly 31 million customers.

   In FCC filings, both DIRECTV and EchoStar have questioned the Commission's authority to require satellite carriage of digital stations, and have made clear their preference to carry, at the most, a single SD stream instead of HD and multicast programming. We find this unacceptable.

   In 2005, public television negotiated a historic agreement with the National Cable and Telecommunications Association to ensure HD and multicast carriage on major cable systems. In August 2007, we finalized a similar agreement with the American Cable Association, which is pending ratification by ACA members. An agreement also has been reached with Verizon.

   To better compete with the growing array of digital programming offered by cable systems throughout the country, DBS providers have introduced both national and local digital programming in numerous markets. DIRECTV and EchoStar have aggressive plans to expand the carriage of local digital stations to new markets in the near future.

   However, in those markets where local digital signals are being carried, including Boston, neither DIRECTV nor EchoStar is carrying the HD signals of a single public television station. In these markets, like ours, both companies *are* carrying the local HD signals of ABC, CBS, FOX and NBC.

Mr. Chairman and Mr. Ranking Member, there is a serious omission in guaranteed digital carriage of local stations when it comes to satellite. Yet, we know that many communities rely on satellite as their only available source of subscription television services and, in some cases, it's the only way they can get any local TV service. Without guaranteed carriage of public television stations in the communities served by DBS providers, consumers in those communities are at risk of losing local television service, being denied their right as citizens to public TV, and missing out on the expanded digital services public broadcasting offers.

We would prefer a privately negotiated carriage agreement, but time is short. APTS has made some progress with DIRECTV, but there is no agreement, and negotiations with EchoStar have not been productive.

In an era when media ownership is concentrated in fewer and fewer hands, public television stations like WGBH are among the last locally owned and operated media outlets in communities across America. We ask Congress to help us ensure that our stations are carried on satellite services, so that all Americans, no matter how they receive their television signals, are able to watch the high-quality, educational programs we provide, and that they helped fund.

3. Similarly, protecting the consumer's ability to receive high-quality local television transmissions is essential to ensuring a vibrant transition to digital. As the FCC continues to conduct testing of unlicensed devices intended for operation in the broadcast "white spaces," we ask for Congress's vigilant oversight. No unlicensed devices should be deployed until there is certainty that they will avoid harmful interference to our DTV broadcast services. The endgame of this digital transition is not the right time to introduce thousands of devices that have the potential to destroy the pictures that consumers see on their DTV-enabled sets. The planned distribution of video to mobile devices through DTV transmission raises the requirements for non-interference even higher.

4. I join with APTS in asking Congress to ensure that the FCC expedites rules for digital translators. Without channel assignments and final rules for the conversion of these translators, which relay television signals to rural and mountainous areas, many stations are in limbo with regard to serving all of their viewers. Some stations are planning on down-converting their signals while others plan on a "flash-cut" to digital, but stations lack clear guidance on how to deliver broadcast signals to viewers dependent on translators. This is another area where consumer education is critical.

5. Finally, I ask that Congress continue to support stations like WGBH in creating the new content and services that will drive consumer demand for DTV. We believe that stressing the consumer benefits of DTV – more programming, delivered in more flexible and convenient ways -- is the best way to move the transition forward and preserve free, over-the-air television. An investment in the new generation of digital content and services from public television is an extremely effective way to increase consumer benefits, as we have seen in other countries.

   We applaud Congress for preserving advance funding for the Corporation for Public Broadcasting (CPB) in the House and Senate Budget Resolutions, as well as the Labor-HHS-Education bill as passed by the House and Senate. This is critical for producing stations like WGBH. We are grateful for the first increase in the regular CPB appropriation in four years. But our funding since 2001 has not kept pace with inflation, let alone provided for the new digital content that will help drive the transition for television viewers nationwide. We hope that Congress can continue to grow CPB funding in future years.

   We appreciate the efforts of Congress, and the members of this Committee in particular, for your foresight in recognizing the value of new digital programming and services for your constituents. As such, you made a significant investment in

public TV's infrastructure that will help to ensure those services are delivered into every home in America. We now need that same kind of commitment for public broadcasting's digital programming. We ask that you transition your investment from infrastructure to content, so that stations like WGBH can deliver the next generation of high quality, educational programming to audiences in Boston and nationwide.

Thank you, Mr. Chairman, for helping us take the first step in this direction through your leadership as the first Member of Congress to endorse the American Archive. As you know, this is an initiative to preserve, digitize and make widely available public broadcasting content from the past half century, much of it created by WGBH, as well as new digital content created today. We are gratified that both the House and Senate Appropriations Committees also have endorsed the project. The American Archive will ensure that the wealth of public broadcasting programming that Americans have paid for does not sit locked away, deteriorating, on aging tape and film. This rich programming represents the most comprehensive chronicle of our nation's history, our people, our culture and our democracy. It has enormous continuing value to current and future generations and must not be left to fade away.

Preservation of Free, Over-the-Air Television

WGBH, and our fellow public television stations nationwide, are often the last locally owned and operated media outlets in our communities. We believe that preservation of this free, over-the-air television should be a cornerstone public policy goal of Congress and the FCC. Both public and commercial over-the-air broadcasting is essential to the health of this nation's media marketplace and our democracy. It provides a powerful tool for consumers in the face of the rising cost of cable and satellite services. It offers an outlet for local voices in diverse communities throughout the nation. Over-the-air television service is freely available to every American no matter their income level and is not limited by the carriage decisions of cable or satellite. From our perspective, the

fundamental policy goal of the digital television transition is preservation of free, over-the-air television, available now in an exciting, new digital format.

Mr. Chairman, I appreciate your enduring support of WGBH, and of public television and radio in our country. I share your desire for a successful digital television transition. My recommendations today are delivered in the spirit of making this transition successful. I very much appreciate this opportunity to testify, and I look forward to your questions.

Mr. MARKEY. And our final witness is John Taylor. He is the vice president for government relations and communications for LG Electronics.

Welcome, sir.

STATEMENT OF JOHN TAYLOR, VICE PRESIDENT, GOVERNMENT RELATIONS AND COMMUNICATIONS, LG ELECTRONICS, LINCOLNSHIRE, IL

Mr. TAYLOR. Thank you, Chairman Markey, Congressman Upton, members of the subcommittee, for the opportunity to testify today.

I would like to touch on three brief issues: the overall efforts supporting the digital television transition, the converter boxes, and the all-important issue of consumer education.

First, the overall effort. LG Electronics is totally committed to the digital television transition. After all, it is in our business interest to do so. We plan to build millions of converter boxes. We are also committed to joining with Government and others in the private sector. We are proud to be a founding member of the DTV Transition Coalition, joining with our partners in cable, satellite broadcast, and the Leadership Conference on Civil Rights, AARP and others to help make sure this transition is a success, but making it work will require a concerted effort, a joint effort on the part of Government and industry. And as you have heard today, the voluntary efforts are making progress.

Second, the converter box. The NTIA set clear standards for the converter box. LG designed our product to those standards, and I am proud to announce that our box has been certified. And beginning next week we will start production for delivery of this converter box to retailers starting in early 2008.

We expect the box to sell for around $60, and it has the features—as you know, the NTIA had a series of required features and permitted features.

Perhaps of special interest to this subcommittee, the box includes an electronic program guide to help consumers navigate through the additional channels they will get with multi-casting. It, of course, has V-Chip, a remote control, closed captioning.

As an aside, 6 months ago, when we met with the disability community and our friends from WGBH, we were doing basically black and white captions; and we had a menu button to get to the captions. The final implementation, thanks to that input, has a closed caption button right on the remote control, full digital captions that allow you to choose the colors and fonts and size. We think that goes a long way to help improve the overall experience of the converter box, and, finally, while not required, a permitted Energy Star. And I am happy to report that our box exceeds the Energy Star standards of 1-watt passive and 8-watt active mode.

On the converter box, the Consumer Electronics Association estimates between 22 and 28 million of these boxes will be required. We are planning to build millions, as I said.

Moving ahead to consumer education, it is essential that broadcasters, cable, consumer electronics industry, retailers and others all do their part. CEA particularly has been very active in producing informative videos, a series of Web sites that help consumers with antennas and connections and even creating a database that

will help consumers understand whether they have a digital television set or not and will need a converter box.

From my company's standpoint, we think it is essential that we communicate with our consumers as well. We stepped up our sales training efforts. Our call center is being enhanced. We just added another 150 agents to our call center who speak Spanish in preparation for the launch of this product and will be including with the product a simple setup guide—this is actually the one from CEA; ours will look very similar—to help consumers as soon as they open the box just hook up the product and begin to enjoy it.

So what is left to do? Maintain the date, February 17, 2009, to provide the certainty we need, continue the coordination between manufacturers, retailers and the NTIA to make sure the coupon program is a success and work together to educate consumers about the benefits of digital and the options available to them to make a smooth transition.

Mr. Chairman, thank you again for the opportunity, I look forward to answering your questions.

Mr. MARKEY. We thank you, Mr. Taylor, very much.

[The prepared statement of Mr. Taylor follows:]

Testimony of

John I. Taylor, LG Electronics USA, Inc.

before the

House Subcommittee on Telecommunications and the Internet

October 31, 2007

Mr. Chairman and members of the Subcommittee, my name is John I. Taylor. I am a Vice President for LG Electronics USA, Inc. I also serve as Chairman of the High-Definition Television (HDTV) Committee of the Consumer Electronics Association (CEA) and Vice Chairman of CEA's Video Division. I also represent LG Electronics as a founding member of the new Digital Television (DTV) Transition Coalition. I welcome the opportunity to appear before you today to speak about the exciting DTV transition.

LG Electronics USA is the North American subsidiary of LG Electronics, a $48-billion multinational electronics and communications firm. One of the world's largest manufacturers of television sets and of flat-panel TV displays, LG Electronics has established itself as a global digital leader, and its LG brand is among the fastest-growing in the United States.

LG Electronics also is the parent company of Zenith Electronics Corporation (Zenith), the U.S. technology company that developed the "VSB" (Vestigial Side Band) digital transmission system adopted by the Federal Communications Commission (FCC) as the centerpiece of the Nation's DTV broadcast standard.

Decades ago, Zenith was instrumental in the founding of both the National Association of Broadcasters (NAB) and CEA. In addition to its long-time leadership in digital HDTV, Zenith

pioneered industry standards for black-and-white and color television and is credited with the invention of countless industry-leading innovations, including Stereo FM radio, television stereo sound, television remote controls and flat color picture tubes, to name a few. Beginning in 1988, Zenith was one of the first developers of HDTV technology. In 1993, Zenith helped found the Digital HDTV Grand Alliance, which developed the Advanced Television Systems Committee (ATSC) DTV broadcast standard.

Building on this extensive experience, and the combined strengths of LG Electronics' worldwide engineering and production capabilities and the Zenith R&D capability in the United States, LG Electronics has led the industry in optimizing DTV broadcast reception. In particular, LG Electronics' fifth- and sixth-generation VSB chips, which eliminate multipath interference concerns, are considered top performers by both broadcasters and electronics industry analysts.

As part of our commitment to drive the DTV transition to a successful conclusion, LG Electronics partnered over the past two years with the NAB and the Association for Maximum Service Television (MSTV) in a joint effort to develop prototype high-performance, low-cost digital-to-analog converters to enable existing analog TVs to continue to receive free over-the-air broadcasts after the Nation's switch to all-digital broadcasting in 2009. This alliance accelerated LG Electronics' product development timetable, resulting in prototypes that meet the goals set forth by the National Telecommunications and Information Administration (NTIA) and the establishment of a state-of-the-art reference design for the industry. So, I believe, it is obvious that LG Electronics has a significant stake in the digital transition.

The Committee is focused today on the status of the Nation's transition to digital television technology. Mr. Chairman, LG Electronics shares your view that successfully

concluding this transition is of critical importance. This Committee has been instrumental in advancing DTV's deployment, and as a result, today we are seeing exciting marketplace developments involving digital technologies. Digital transmission offers incredible high-resolution video, and anyone who has experienced HDTV becomes an instant believer in this technology. In addition to these benefits, the digital transition provides an opportunity to return spectrum for important governmental objectives (including public safety and homeland security needs) and to deploy new commercial technologies for consumers.

There are many important issues associated with the DTV transition, including manufacture of digital-to-analog converter boxes compliant with NTIA's requirements; government assistance to help consumers purchase boxes capable of converting free, over-the-air DTV broadcast signals for viewing on their existing analog TV sets; and consumer education. Please permit me to address these three areas.

In previous testimony before this Committee, LG Electronics stated that factors such as the level of technology and unit sales volume influence any estimate of converter box costs. Since then, NTIA issued technical specifications for converter boxes eligible to be covered by the coupon program. This gave manufacturers the certainty needed to prepare for mass production of these devices, because we know what we must build and we therefore have some ability to estimate the cost of our converter boxes.

Consistent with the intent of Congress, the NTIA's specifications provide an appropriate level of features necessary to provide reliable reception and to enable consumers to use the boxes satisfactorily. As you know, some of NTIA's converter box elements are required, while others are permitted (but not mandatory). NTIA addressed encoding; output formats; Program and

System Information Protocol (PSIP) processing; the range of capability for receiving channels; RF (radiofrequency) input and output requirements; composite output; and interference levels. Also, NTIA required that converter box equipment must display all channels; provide closed captioning, emergency alert systems, and parental controls; include a remote control; and meet energy efficiency standards. These parameters should yield converter boxes sufficient for average, non-technical consumers to enjoy the DTV experience.

We are pleased that additional features that are not required to convert a digital over-the-air signal were not mandated, as that would have increased the prices of converter boxes by a significant margin. Rather, manufacturers are permitted to include a limited range of "no frills" functions in eligible converters so that they will be easy to use and perform well.

For example, the inclusion of a simple electronic program guide (EPG) is optional, and this adds very little to a converter box's price. But the EPG will make the box much easier to use, and this is especially important because digital broadcasters can "multicast" or transmit multiple programming streams via their DTV signals. This multicasting greatly expands the number of program offerings made available to over-the-air television viewers. Allowing simple EPGs in eligible boxes will enable viewers to navigate multicast channels and thereby maximizes the number of viewers able to enjoy the benefits of DTV technology.

By adopting minimum performance requirements, NTIA enhanced significantly the likelihood of the program's success by helping to assure that the devices eligible under the coupon program perform to the satisfaction of American consumers. NTIA's specifications were clear, and at LG Electronics we moved forward rapidly to comply with these standards. I am

pleased to report that NTIA has now certified our converter box and especially pleased to report that production is scheduled to begin next week.

In addition to V-Chip parental control, LG Electronics' box provides advanced digital closed captions, including the capability to choose from multiple type fonts, sizes, colors, backgrounds and more. The remote control includes a "cc" button for easy caption access. For easy setup and simple navigation, the LG converter will include a trilingual (English, Spanish, and French) on-screen display. Other features include an all-format ATSC receiver, flexible 4:3 and 16:9 display formats, PSIP processing, channel 2-69 tuning, RF input and RF output, and composite video and left-right stereo TV audio outputs.

Designed to operate at less than 8 watts active and 1 watt standby, the certified converter box exceeds the U.S. Environmental Protection Agency's EnergyStar program requirements for digital-to-analog converters. I would add that D-A converters are among the year's "greenest" products, because they will extend the lives of tens of millions of old analog TVs that otherwise would be discarded.

Many consumers may neither need nor want a coupon to purchase a converter box. Between now and February 2009, according to CEA estimates, American consumers will purchase more than 60 million television receivers and set-top boxes with over-the-air DTV tuning capability, independent of the converter box program. This is in addition to the 50 million DTVs purchased by consumers in the past five years (2002-2006).

While it is unclear how many of these have actually displaced or will displace older analog-only TVs, these receivers no doubt will impact the number of American households needing a low-cost converter box under the coupon program. Given the rapidly growing number

of households that are expected to have access to digital signals – either over-the-air, via cable or by satellite – well before the transition's end in 2009, we are hopeful that sufficient funds will be available in the coupon program to ensure that converter boxes are provided to all households that need them.

With regard to the price of converter boxes, our retail partners set the selling price, but LG anticipates that its converter boxes meeting NTIA's specifications should be available to consumers for around $60. Manufacturers anticipate producing tens of millions of converter boxes. LG Electronics' boxes will be available to our retailers this December.

Finally, we are vitally interested in helping to meet the critical need for a vibrant consumer education effort related to the DTV transition. Spurring consumer interest in the converter box program and ensuring that consumers' participation in the program is not burdensome will require a broad-based effort involving the government and multiple industries and stakeholders. As an active participant in the new DTV Transition Coalition, LG Electronics is fully committed to working with the government, our major retailers, and our colleagues in the consumer electronics and broadcast industries to facilitate the program's success.

In particular, we are intensifying our own sales training efforts with retailers and collaborating with broadcasters to promote DTV technology. We also maintain an informative DTV website guide (http://us.lge.com/GuidetoHDTV/what/index.html), which introduces consumers to the features available through DTV technology. We will update this website on an ongoing basis with valuable information about the DTV transition and the converter box program. It is important, for example, that consumers understand that they will not only be receiving better picture quality through the digital

signal, but they also will be able to enjoy additional programming that was not available in the analog world. These additional features will make the transition even more attractive to consumers.

LG will implement a toll-free number that consumers can call to receive assistance with installing and connecting their new converter boxes. We have enhanced our toll-free consumer call center, adding more than 100 customer service agents who are fluent in Spanish. The LG call center, which handles more than 2 million customer inquiries each year, will offer assistance to consumers on antennas as well as installation and operation of the converter boxes themselves.

LG's converter boxes also will feature an easy-to-follow installation guide that includes simple instructions in multiple languages. We anticipate that these efforts will be helpful to varied population groups, assist consumers to use the devices, and prevent them from unnecessarily returning boxes to retailers.

Of course, the converter box program is just one aspect of the digital transition effort. By next year there will be a range of options, including very affordable integrated DTV receivers. Those who want high definition reception and other features will pay more, just as they do today for progressive-scan DVD players. Manufacturers such as LG Electronics are doing our part to offer consumers a wide array of quality DTV products at affordable prices. Product prices will continue to decline, as they have done since DTV's introduction in 1998, and this will speed the transition.

LG Electronics commends this Committee for its efforts to advance the digital transition, and for its attention to avoiding potential disruption to consumers when the final switch-over to digital broadcasting occurs. We look forward to continuing to work with you to ensure that all Americans are able to enjoy the tremendous benefits of digital television.

I am, of course, pleased to respond to any questions you may have, and I appreciate the opportunity to appear before you today.

Mr. MARKEY. All time for opening statements has expired. The Chair will now recognize himself and then the other members for a round of questions.

Let me begin then by ask you quite briefly, Mr. Abbott, you mentioned that public broadcasting stations have yet to reach an agreement with DirecTV and Echostar on digital carriage of public TV. Where are those negotiations right now?

Mr. ABBOTT. Mr. Chairman, we do not have an agreement; and, actually, around the country there is no carriage of local, interlocal, high definition services, much less multi-cast. There have been discussions with DirecTV, very little movement with Echostar, but as yet even those discussions with DirecTV have not produced an agreement.

Mr. MARKEY. Thank you for bringing that issue to the attention of the committee. We will try to focus on that.

Mr. Barrett, Mr. Dingell and I wrote to FCC Chairman Martin earlier this year to ask him to undertake measures to educate consumers about the DTV transition. The NAB, and you mentioned it, today has announced a huge voluntary public education program.

Mr. BARRETT. Yes, sir.

Mr. MARKEY. Nearly $700 million. But you oppose the FCC's proposal. How does the NAB expect to mandate stations that don't broadcast these public service ads to help people understand about the transition to digital, force them to in fact educate the public without some club that the FCC would have to move those recalcitrant stations in the right direction?

Mr. BARRETT. Sir, I believe the most effective business course of action here is to enlist the voluntary support of this industry, and we have demonstrably done that with commitment from all the networks and from over a thousand stations.

It is my view that the makings of this program will encourage innovation and will go beyond the notion of just doing a minimum threshold campaign mandated by the FCC. This is an exercise that is much more important than making Smokey the Bear an icon in a PSA-driven campaign. This has to be a multi-market campaign. It has to be creatively executed in every local market in the country.

I would observe that there is such a large number of stations, groups, companies that have already committed, who are prepared to deliver a quarterly report to the FCC or to this committee and demonstrate the execution of this program that I would be concerned about establishing a lower——

Mr. MARKEY. I understand. The problem is that the NAB always sends in their best broadcaster to testify, and so no one is doubting that Hearst-Argyle is going to do it, but we need the regulations for the bad guys.

Mr. BARRETT. I don't believe we do, sir. There are 1,100 stations who are already committed to this; and I would observe, based on my business experience, that in every walk of life, in every station and every business endeavor there are some who perform better than others.

Mr. MARKEY. How would you feel about the broadcasters that shirk their responsibility?

Mr. BARRETT. I think this is a matter of self-interest for the broadcasters.

Mr. MARKEY. What if they do shirk it?

Mr. BARRETT. If they shirk it, I think they will marginalize their own business prospects in the marketplace.

I believe, sir, that when you are talking about 98 billion advertising impressions that will be delivered by those that are participating that the consumers will not be shortchanged on this. These messages are going to reach 93 percent of American television viewers, and they are going to hear the messages that we broadcast some 400 times. This is a staggering program.

Whether people are left behind, whether some bad actors in the industry choose not to participate, that will not have a bearing on public awareness. And I think again in every walk of life there are some people who take a free ride. I think in a free enterprise system that is a reality. It is a reality in the halls of Congress, and it is a reality in our business.

Mr. MARKEY. I understand, Mr. Barrett. But here the consequence is if ordinary people don't get the message is that they pay the price. So we will have to figure out something here to ensure that the shirkers——

I will have to ask one quick question over here of Mr. Abbott and Mr. Uva, and that is on the disabilities aspect of this and making sure that closed captioning will be available on HD. Can you talk, both of you, quickly about what you are doing to make sure that there is closed captioning and services for other disableds, Mr. Uva?

Mr. UVA. Yes, Mr. Chairman. We fully intend to make sure that in all of our public service messaging and in all of the services that we will be offering over the years to our communities there will be not only be closed captioning but Univision is tied into a network of over 2,000 local community organizations that we will be working with to help support people with disabilities.

Mr. MARKEY. Mr. Abbott?

Mr. ABBOTT. Yes, Mr. Chairman.

First off, WGBH is very active in the captioning area, as a number of those testifying have mentioned. We have actually been working with the NAB to caption their on-air messages that they have been developing in their toolbox, as well as work on accessibility for their online messaging. Public televisions messages will all be closed captioning.

Our challenge with captioning in the digital transition, of course, is it is a bit of a perfect storm. Because there needs to be the right commitment and coordination, not just from the broadcasters but also from the set-top manufacturers and others, and you heard that presentation today, to really ensure that at the point of transition the interface with those devices fully supports and creates real utility and ease of access to those captions for all consumers.

Mr. MARKEY. Thank you, Mr. Abbott.

The Chair recognizes the gentleman from Michigan, Mr. Upton.

Mr. UPTON. Thank you, Mr. Chairman.

I just want to say in the last couple of weeks I have already seen a number of the PSAs, and even though I have a cable system, both the cable industry as well as I have seen the NAB—in fact,

it might have even been during the Boston Red Sox game—reminding people that this program was going to be available. So I am anxious to watch that pick up in the months ahead before the coupons are ready.

Mr. Taylor, you made a good closing point about the date and the reason that it should not slip. I have to tell you that, as one that helped write this legislation with others on the panel here in a bipartisan way, we want to make sure that date does not slip. We will make every effort to make sure that it doesn't, and I don't see any storm clouds that it will. Does anyone here disagree with that statement in terms of the panel?

Mr. Vitelli, you say that the FCC lacks jurisdiction over retailers; and I don't know whether you have looked at the bill that Mr. Hastert and I have introduced with Mr. Barton, H.R. 608, but it, in essence, gives the FCC the jurisdiction if the voluntary efforts do not go far enough. Do you think that it is crucial that we pass that bill or do you think things will happen on their own and you will not need it?

Mr. VITELLI. I have looked at it a bit. It is not what I do regularly, but I looked at it before today, and the part that I noticed specifically about retailers was about the labeling of analog televisions. In Best Buy's case, that is a moot point now.

Mr. UPTON. Yes, you have done that.

Mr. VITELLI. They are actually gone. And I would say it is actually a very minuscule part of the business left for the rest of retailers. It is almost to the point that almost every product being sold today is a digital TV. That is the only thing being made. I think that issue will be gone rather quickly every place in retail.

As far as education is concerned, we have in discussions with the FCC have taken virtually every voluntary step, all the major retailers, to do the things that are being proposed, from putting things like this pamphlet in both English and Spanish in all of our stores. Our Web site has the same information. We run a text and graphics version of the DTV transition and the three options that everyone has on our video wall six times a day in both languages as well. So I think all the major steps that are talked about there are actually in play.

Mr. UPTON. Do you feel that your customer personnel are well educated to tell the average consumer of the changes that are coming their way as well? I only note that because Mr. Barton, who is usually here, our former chairman, has the funny tale of going and buying the biggest TV that he ever saw. And I want to say I think he went to Best Buy, and he ended up with an analog set. But that was about 2 years ago before things really began to change.

Mr. VITELLI. Sure. Again, the first thing that is happening right now is, to the point here, is we did in fact say let us get rid of those. We don't actually have to have the education about a TV in our store. But the bigger point is what about TVs that people have? This is precisely what that education is. Your three options are a converter box, to subscribe to a service——

Mr. UPTON. How many different converter boxes do you think Best Buy will offer?

Mr. VITELLI. That is a great question. There are two that are certified, two manufacturers certified today, several in the works. It is very likely we will have more than one. It is important to have multiple suppliers because the demand projections here, both in quantities and timing, have never happened. There's never been a product like this before. And that is going to be, I think, the biggest challenge for both the retailers, the manufacturers, and the NTIA in releasing coupons, is both the production availability, when the coupons are released, what stores do they go to around the country?

Best Buy is, on a really good day, 20 to 25 percent of the industry. So we are a big part of it, and we are aggressively trying to work that out with manufacturers. We need all of us to work together.

Mr. UPTON. As a Best Buy customer, I look forward to seeing one of those come on sale. I will notice it.

Mr. VITELLI. You certainly will.

Mr. UPTON. I won't need one, because I have cable, I want you to know.

Just to follow up on Mr. Markey's question, I have to say for the broadcasters they have every reason to put out the PSAs because, otherwise, they will lose audiences. They don't want to lose audiences. Whether it is in a rural or urban area, they don't want a single customer not to know of the changes that are coming—over-the-air TV.

Mr. BARRETT. We are in a very competitive business. Our viewership is measured on a daily basis in top 50 markets and more to come, and it is imperative that we not leave any viewers behind, no sets behind.

Mr. UPTON. Thank you.

Mr. MARKEY. Leave no sets behind, that will be the motto for this hearing.

The Chair recognizes the gentleman from Michigan, the chairman of the full committee, Mr. Dingell.

Mr. DINGELL. I thank you for your courtesy. I commend you for the hearing.

These questions are for Mr. Barrett, and I think they are mostly yes or no responses.

Mr. Barrett, I am sure you agree that it is important that the maximum should be information made available to consumers with regard to how this program for the digital switchover is going to be conducted; is that right?

Mr. BARRETT. Yes, sir.

Mr. DINGELL. Now, I want to commend you and the NAB members for the campaign that you are putting on to inform consumers, and I applaud that.

Now, I note that, with regard to the DTV transition, networks are going to be putting out public service announcements, or PSAs. It is possible for local affiliates to sell their own ads in lieu of the public service announcement; is it not? Yes or no?

Mr. BARRETT. Yes, to the extent of sponsored messages.

Mr. DINGELL. It is possible to do that.

Mr. BARRETT. Yes, sir.

Mr. DINGELL. And that would be, I think, bad public policy were that done, is that not so?

Mr. BARRETT. I don't think it would be bad public policy. It would be a sponsored message.

Mr. DINGELL. If they are going to sell over. Because we want the consumers to get the maximum amount of information, and we want those public service announcements from the networks to reach the consumers, rather than an advertisement for a potato peeler or something like that.

Mr. BARRETT. I think it depends how it is structured, sir. If there is a 30-second DTV action spot followed by a 30-second spot from Best Buy, I think that that is perfectly acceptable.

Mr. DINGELL. Well, I applaud Best Buy, because they have done some good things here, too.

But I would observe if the PSA is sold over with some kind of advertisement for a potato peeler or a kitchen mop or something of that kind, the consumer will not receive the information that he needs to make the necessary judgment about the change from the current practices with regard to television to the future after the DTV transition, is that right?

Mr. BARRETT. If there is an irrelevant sponsor attached to that PSA, I would agree with you; if there was a relevant sponsor, I think that would be acceptable.

Mr. DINGELL. Now, gentlemen, this to you, Mr. Barrett, Mr. Swanson, Mr. Abbott. Just yes or no, would you agree that much needs to be done to make the transition work from a technical standpoint by the Government agencies and everybody else involved?

Mr. BARRETT. Yes.

Mr. DINGELL. I assume that indicates yes on the part of all three.

Mr. SWANSON. Yes.

Mr. ABBOTT. Yes.

Mr. DINGELL. Gentlemen, would you agree that the FCC has not completed the rules needed to allow for a smooth transition from a technical standpoint?

Mr. SWANSON. Yes.

Mr. BARRETT. Yes.

Mr. ABBOTT. Yes.

Mr. DINGELL. Now, gentleman, has each of your companies purchased all the necessary equipment to make the move from analog to digital broadcasting?

Mr. BARRETT. If I could go first, sir, we have purchased most, not all. There is still some antenna pending finalization of the FCC proceedings.

Mr. SWANSON. We would have the same answer. We purchased virtually everything, but we are waiting for the final technical specs from the FCC in the antenna, because some of our stations will be changing channel numbers.

Mr. DINGELL. So you are fully ready then for the transition?

Mr. SWANSON. We do need the FCC to complete the proceedings on some of the technical issues so that we can finalize the details, particularly on channels, on our stations that will be changing channel numbers.

Mr. DINGELL. Sir?

Mr. ABBOTT. We are very close to that. The majority of stations are fully converted and broadcasting. We await final clarification in a number of——

Mr. DINGELL. Are all three of you in a situation where your companies have arranged for the engineers and contractors needed to make physical changes to towers to effectuate the transition? Yes or no?

Mr. BARRETT. Yes.

Mr. SWANSON. Yes.

Mr. ABBOTT. Yes.

Mr. DINGELL. Are you required to report your status in completing these tasks to the Federal Communications Commission?

Mr. BARRETT. Yes.

Mr. SWANSON. Yes.

Mr. ABBOTT. Yes.

Mr. DINGELL. Now, these questions are for Mr. Taylor. In view of the time, I have to do this in kind of a discourteous way, and I apologize. There will be a series of questions, yes or no. Would you disagree that the converter box coupon program is a vital part of the smooth DTV transition? Would you disagree that consumers should have many choices of converter boxes available to them?

Mr. TAYLOR. I agree that consumers should have many choices available to them, and the converter box convert, the coupon program is a key element to the transition.

Mr. DINGELL. Now, I think that your firm or your company has certain patent rights, and so it is perhaps almost the sole supplier in these matters; is that correct?

Mr. TAYLOR. No, sir. We expect that there will be a variety of manufacturers on the market. My company does hold some of the patents for the digital television transmission system, but we are one of many patent holders. And I would add that the royalties on this box are comparable to or lower than the royalties for a $40 DVD player. The royalties is a minimum issue, and we anticipate some healthy competition in the marketplace with a variety of manufacturers.

Mr. DINGELL. Now, this question is to Mr. Vitelli. Mr. Vitelli, would you disagree that if a retailer chooses to become certified to participate in the DTV converter box program that the retailer should commit to having an adequate supply of converter boxes on its shelves for purchase?

Mr. VITELLI. Yes.

Mr. DINGELL. Would you agree or disagree that if a certified retailer does not have converter boxes on the shelf when a customer arrives to purchase one with a coupon, the onus is on the retailer to ensure that the consumer or the customer can use her or his coupon at the time in order to purchase a converter box?

Mr. VITELLI. Yes.

Mr. DINGELL. Now, by the way, I want to commend you at Best Buy for the way you have been proceeding, but I do still have some concerns.

Would you agree that when a consumer wants to use a coupon but through no fault of the customer the certified retailer is out of converter boxes that the consumer should not be required to bear additional costs such as shipping and handling?

Mr. VITELLI. I think that is going to be up to each individual retailer and the practices that they have. Being out of stock on products, unfortunately, is a general nature of doing business. And I also think it is going to be abnormally and possibly prevalent here because of the difficulty in predicting demand for this product, because it doesn't model with anything else that has been in the consumer electronics industry before.

Mr. DINGELL. But it is fair to say that Best Buy is going to see to it that if the purchaser can't get it at the time he is in the store that he is either going to come back, go to another store or to take some other step to procure it and it won't be shipped to him at the seller's cost in the case of Best Buy; is that a fair statement?

Mr. VITELLI. What happens typically today, if a product is out of stock, the consumer will make an option to come back to the store or have it shipped to them. Generally, they are paying for that shipping if they decide not to come back, but we make those decisions in our stores every day.

Mr. DINGELL. One quick last question, Mr. Chairman. I note that Best Buy is not going to accept coupons for converter boxes as a part of online transactions, but you do accept gift cards for purchases made over the Internet. That is a curious difference in practice. Can you explain why?

Mr. VITELLI. I will, even though I am not technical, but I will do the best I can.

The Best Buy gift card that we accept is, in a sense, tendered to ourselves, so the ability to process that to ourselves is doable in addition to a credit card that a customer uses. To have two different tenders that go to different, alternative companies—one would go in this case to the Treasury and one going to a credit card company—we are not able do it technically in a reasonable period of time or financially. And that may not be true for everybody. That is a Best Buy systems issue. I don't think it is per se an issue with the program.

Mr. DINGELL. Thank you, Mr. Chairman. You have been very gracious.

Mr. MARKEY. The gentleman's time has expired.

The Chair recognizes the ranking member of the full committee, Mr. Barton.

Mr. BARTON. I am going to pass so I can get spun up on the hearing. So I will ask some questions later on.

Mr. MARKEY. The Chair recognizes former Speaker Mr. Hastert from the State of Illinois.

Mr. HASTERT. I thank the chairman, and I want to congratulate him on the stellar performance of his Red Sox.

Mr. MARKEY. I thank you very much. Mr. Swanson already congratulated me, and he didn't tell us, but I think he is a Cubs fan.

Mr. HASTERT. Well, you know that I am a Cubs fan, too.

Mr. MARKEY. That's what I was thinking.

Mr. HASTERT. Maybe the 100th year.

Mr. MARKEY. It feels great, by the way, when you finally win. It is just an incredible——

Mr. HASTERT. Thank you. I wouldn't know.

I would like to lay this out. The middle of February in the year 2009, people's analog TVs go black. Everybody agrees that is going

to happen. So from that point I think it is a simple thing that we start to work backward. The NTIA will start issuing certificates in January, 2008, so these certificates are going to be available.

The next issue is how you communicate to people who may or may not have but would need, I guess, people who have analog TVs. That has to come on the part of the publicity from the broadcasters. Mr. Barrett, you talked about that. Do you think that is sufficient?

Mr. BARRETT. I think the kind of comprehensive program we are talking about will do the trick. There will need to be different kinds of messages delivered to different demographic groups and different constituencies, and in a well-thought-out marketing program I think we will be able to accomplish that.

Mr. HASTERT. You note that somebody who or a broadcaster who doesn't adequately do this would probably lose the ability for people to get his ads and lose prescribers, right, constituents.

Mr. BARRETT. I think to some extent that broadcaster will be marginalized in our business.

Mr. HASTERT. Mr. Swanson, do you agree?

Mr. SWANSON. Yes, I do. And I think that the way that broadcasters reach people goes well beyond PSAs and crawls. You know, we will use newscast, news stories. We will use our public affairs programing.

On your morning shows it might even make sense for us to do some sort of a giveaway of a digital television set to encourage participation. To reach particularly the young people under 30, so much of their information comes from the Internet and Web sites, we will have to be aggressive on our Web pages in that regard.

And then I think a thing that would be of primary concern is that a lot of the people who receive their signals over the air are in the minority communities. It would be high in the Hispanic community. It would be high in the African American community and also the elderly. And our diversity development group will be working actively with community groups to make sure that that word is disseminated to them most effectively.

Mr. HASTERT. In my follow-up question I was going to ask that of Mr. Uva, the disproportionate share will be elderly and minority groups, Hispanic groups, African American groups. Primarily, they keep things longer. They use it longer. Old people like me, we probably have two or three of those analog TV sets sitting around. My wife watches them. I don't.

But, anyway, do you think with the publicity campaign that you can educate people to go out and apply for a certificate? I mean, the certificates aren't just going to come to people in the mail or come across your computer. A lot of people don't have computers, so e-mail—these issues, to start something, is not something, especially senior citizens' use, is there an adequate campaign to get the reality out there?

Mr. UVA. We are very committed to not only using our airwaves, but, as Mr. Swanson suggested, to really work closely with grassroots organizations that we touch every day throughout the country in high-density Hispanic markets, and that means being able to be there, talk to them. We have even considered helping them, edu-

cate what is an analog television set; and we go look at them in their homes or residences and really give a one-to-one instruction.

Mr. HASTERT. Now, Mr. Taylor says that he has a product, Mr. Vitelli says that they have a way to sell that product, so that is how all these pieces come together. I guess we are going to have to watch over the next several months how the beginning starts, how we will be able to transcend through this, but it seems to me that free market system will work on this, and I congratulate all of you.

Thank you. I yield back my time.

Mr. MARKEY. The gentleman's time has expired.

The Chair recognizes the gentleman from Pennsylvania, Mr. Doyle.

Mr. DOYLE. Thank you, Mr. Chairman.

Mr. Bruno, I am concerned about the really low numbers of women and minorities who own our local media, and I know that many members on this subcommittee are concerned about that, too. Among low-powering class A stations, what percentage are owned by women and minorities compared to full-power stations?

Mr. BRUNO. There are 12 percent of low-power television and class A television stations that are owned by minorities and women. In fact, Bruno-Goodworth Network is 37 percent owned by Debra Goodworth.

Mr. DOYLE. Mr. Bruno, if you were available on cable, what would your Nielsen rating be? When you were available on cable fully, what was your Nielsen rating?

Mr. BRUNO. We had a 10 percent cumulative rating across the board; and if you take the 300 channels that are on cable in our area, that is in the top 40 stations that were there. So we were heavily viewed.

Mr. DOYLE. And if a station like yours were granted carriage, how many jobs might be created by that?

Mr. BRUNO. Well, in our area, we will probably start out—we are at a very limited staff right now, under 10, because of the situation that has happened to us. With cable carriage, we would immediately go to 50. Over the course of about 36 months, we would get up to about 100 employees; and that would happen all across the country. I am not an exception. There are 910 class A stations around the country. We are all in the same situation. We would all have that capability to hire those people.

Mr. DOYLE. This question is for Mr. Willner and Mr. Knorr. I am curious of what you think about Mr. Bruno's proposal that they give up their analog carriage and become digital only and in return for that they gain digital carriage on the cable stations where they are currently available over the air. Many systems are already moving from analog stations to digital, and you can fit at least four or five digital channels in the one analog channel that they would be giving up, so what is wrong with granting a local broadcaster digital-only carriage? Mr. Willner.

Mr. WILLNER. There is nothing wrong with granting it if we can determine that the programming that is being produced by the low-powered TV station is of interest to our customers. The problem is that there is a misconception that a 750 MHz cable system is this vast wasteland of bandwidth that has availability for just an un-

limited use. The fact of the matter is, all of our cable systems are either 750 MHz or 860 MHz; and we are struggling today to try to maneuver the services that we are already offering in order to provide competitive services in video, in digital video, in high-speed data, Internet service and telephone service so we are competitive in the whole telecommunications arena. And to open up a must-carry requirement for another thousand TV stations across this country will just put tremendous amounts of pressure on the limited bandwidth we have available.

Mr. DOYLE. We are not talking about dual carriage. We are talking about digital only; and it will free up an analog station for you, which you're going to be able to squeeze four or five or six digital stations.

Mr. WILLNER. Well, I don't understand how it frees an analog to add a digital if we're not going to——

Mr. DOYLE. Well, they're going to give up analog. They're going to be——

Mr. WILLNER. But that doesn't mean they're necessarily—there is no must-carry requirement now. So they may or not be carried on analog.

We carry a lot of low-powered TV stations, and we do so voluntarily. We do so through negotiations, based on the programing content that the LP TV station is delivering. And if we determine that our customers are going to be interested in it, we want to carry it. But to mandate just blanket carriage results in things like weather scans that commercial broadcasters sometimes use to fill up some of the multi-streams that they have right now which are of very little interest to consumers.

Mr. DOYLE. So you don't find Mr. Bruno's proposal attractive.

Mr. WILLNER. I think right now it is impossible for us to allocate the bandwidth at the levels that they are requesting without breaking something else that is in the system.

Mr. DOYLE. Mr. Knorr?

Mr. KNORR. I do think capacity is an issue, and I also agree that in many cases we are not reclaiming an analog channel under that outline. But I think if the programing is compelling, it is absolutely something we want to carry. If it turns out to be just a forced carriage of another shopping network when we have limited capacity, I don't think that does serve the public interest.

But I do think there is legitimate concern which actually mirrors the concern of small cable where there is a big asymmetry between large companies and small companies. Sometimes, even if there is compelling content or a compelling case, the free market can work against interest. And we feel that as small cable companies working with large broadcasters on retrans consent, and this is the inverse of that issue as a small broadcaster who is trying to work with a large cable operator without Government mandates to back it up. So there would be some legitimate challenges there that need to be reviewed, but definitely keeping in mind, as Mr. Willner said, there is not unlimited capacity on cable systems.

Mr. DOYLE. Mr. Bruno, isn't there law requirements that you have to air a certain amount of local content?

Mr. BRUNO. Yes, 3 hours of local content.

Let me point out that the 910 television stations are small television stations. Seventy percent of the country and cable operators will not be affected under this. Only 30 percent will be affected. We are not that big, even with 910 of us. We are not DMA wide. We are small stations.

Mr. DOYLE. Mr. Barrett, I want to get on the record to understand NAB's problem with unlicensed devices. This is strictly a concern about interference. If it could be proven in real-world conditions that unlicensed devices wouldn't interfere with broadcast TV signals, then there would be no objection to having these devices being sold in Mr. Vitelli's store or elsewhere? It is strictly an interference issue?

Mr. BARRETT. Sir, I think it is more than just an interference issue, although that is of significance importance to us. The notion of license and the notion of fixed are important as well. I think if these are unlicensed devices that are purported not to interfere and they are mobile to the extent that something goes wrong, we have lost the ability to find a remedy for the problem. We can't track a device down or we can't correct it or shut it down if we are in an unlicensed world with these devices. So it is very important but not the only component.

Mr. DOYLE. So is there any circumstances under which you could not object to these unlicensed devices?

Mr. BARRETT. I think if they are licensed and fixed and demonstrably——

Mr. DOYLE. But not mobile.

Mr. BARRETT. I think that is the more appropriate solution.

Mr. DOYLE. With my 30 seconds remaining, I just want to comment on the coupon program. Last night, Mr. Chairman, I was watching Charlie Brown and the Great Pumpkin. And you know when it gets to the part where Lucy and Charlie are playing football it made me think of something. Now what made the moment special is that Lucy and Charlie Brown signed a contract that she wouldn't yank the ball away when he went to kick it. If you've seen the show, Charlie Brown rears back, and he comes running all he can and spins through the air and lands on his head. And then when he looks at Lucy she says to him, well, the contract wasn't notarized.

Well, Mr. Chairman, this reminds me of NTIA. I am worried that if a consumer coupon expires because the grandkids aren't going to hook up their sets until Thanksgiving or somebody is deployed overseas and can't get home to help grandma or grandpa before the coupon expires, that they are sort of like Charlie Brown. They are just going to be out of luck.

So, as I said many times before, there should be an extension of these coupons if there are circumstances beyond the consumer's control, they are out of box at the store, the kids can't hook their sets up, and I don't want our grandmoms and grandpops to be Charlie Brown.

And with that, Mr. Chairman, I will yield back.

Mr. MARKEY. That would make N-T-I-A L-U-C-Y.

Let me turn and recognize the gentleman from Texas, Mr. Barton.

Mr. BARTON. Thank you, Mr. Chairman.

If we keep doing these hearings, we won't have to have an education program. Everybody in the country will have testified before your subcommittee. You are a one-man education program in and of yourself, which is a good thing, not necessarily a bad thing.

I want to ask you, Mr. Vitelli and Mr. Taylor, I think you represent the retailers and the manufacturers, we have allocated enough money to produce up to 33 million of these set-top boxes, but my staff informs me that the industry doesn't expect to manufacture and sell more than 8 million. Is that true, the lower number? And, if so, why so?

Mr. TAYLOR. Mr. Chairman, the Consumer Electronics Association estimates between 22 and 28 million converter boxes will be required in the marketplace.

Mr. BARTON. So the 8 million number is a wrong number, a bad number?

Mr. TAYLOR. I think that was extrapolated as the possible number that would be requiring coupons. I know that CEA has done a lot of research. I need to study it some more. I would be happy to investigate it more and get back to you.

Mr. BARTON. Mr. Vitelli?

Mr. VITELLI. The estimate of the number of people that would potentially need a box sounds completely accurate to me. It will be interesting to see what consumers decide to do. Because they do have multiple options. A converter box is one, and a large number of people will do that. I think you are calling to point the difficulty that I think many of us are in the industry are having, which is projecting the demand.

Mr. BARTON. But nobody on the panel expects there to be a demand for more than 33 million.

I see a lot of stares, so I am going to assume that that means you don't expect there will be more than a need for 33 million.

I am going to ask Mr. Swanson, who is with Fox Television, I believe in markets. I believe that people that have an incentive, a vested interest to help themselves will help others and for trying to help themselves. Do you believe that the broadcast industry has an incentive to educate their customers, consumers, viewers about the transition or do you think that Congress needs to in some way force, encourage, incentivize you to do more?

Mr. SWANSON. I think for people in the broadcast industry, as Mr. Barrett has already suggested, it is self-preservation for us. We want every household to be able to receive a digital signal on February 17, 2009.

Most of us need the ratings and need the revenue that comes from that to continue to perform, and so we don't need to be goaded or prodded on this. And that is why Fox has been aggressive, not just now but clear back to 2004, in helping educate the American public to the advantages of HDTV and to digital television.

In this last 15 months, obviously, the efforts will intensify, but a broadcaster who failed to participate would only be hurting themselves, ultimately, I think. So, yes, it is in our best interest to do this. And I think hearings like this are beneficial, but I believe that our business is reaching people with news and information. That is what we do for a living; and I think if we are left to ourselves to do it, I think we can do a good and adequate job.

Mr. BARTON. I would assume that in January, in early February 2009, as the transition approaches, that there would be quite a number of ads on television letting people know that. Can you give me any kind of an estimate of how many times a day I might see a 15-second or 30-second spot telling me to get off my bottom and go down and get my converter box or buy my new digital TV set that last month? I would assume it would be a lot, but maybe I am wrong. Maybe you will just run it once a day at 12:00 p.m., at midnight, or something when nobody is watching, but I think you will do a lot.

Mr. SWANSON. Well, I think if you are home in Texas you will see our two stations in Dallas running them in various day parts, including prime time now; and if you watch here in Washington you will see our two television stations here doing the same thing. That effort is under way, it has been under way and will continue.

It will be interesting to see as we monitor this process over the next 15 months, obviously, a lot of Americans—that is why the stores stay open an Christmas Eve because there is always somebody shopping at the last minute. So I assume that in January, February 2009 there will be stragglers, and we will have to have an all-out effort to reach them, but that would be the intent, yes.

Mr. BARTON. I will be one of the stragglers, I assure you. But I will be watching your ads informing me of the transition in between watching the ads of the Dallas Cowboys getting ready to beat the New England Patriots in the Super Bowl that year.

Mr. MARKEY. What year is that?

Mr. BARTON. 2009.

Mr. SWANSON. I think they already settled that this year.

Mr. BARTON. We will have another crack at them.

I yield back, Mr. Chairman.

Mr. MARKEY. The gentleman's time has expired.

The Chair recognizes the gentleman from Texas, Mr. Gonzalez.

Mr. GONZALEZ. Thank you very much, Mr. Chairman.

I want to associate what I feel about the Super Bowl with my colleague from Texas; and that first game is just a warm-up, a scrimmage. It meant nothing in the big picture.

First of all, I know that there is a time and a place for further discussion on white space, dual carriage all of that, and it is important. Where I want to go immediately is going to be—and even pass over the education part of what we will be doing in less than a year, but I want to comment Mr. Barrett, Mr. Uva and Mr. Swanson, for what you all are doing on the education part. Because I think it has been pointed out by Mr. Abbott that the Federal Government is not going to help you that much for whatever reason, so thank you for whatever you are doing on your own initiative.

My question focuses on the testimony by Mr. Vitelli and Mr. Taylor, the manufacturer and the retailer. We had an interesting conversation I guess a couple of weeks ago when we had the last hearing, and I believe Mr. Walden is here, and he may follow up on it. My question goes to this converter box, Mr. Taylor. First of all, you indicated this will sell for about $60 retail; is that correct?

Mr. TAYLOR. That is correct.

Mr. GONZALEZ. We have been hearing between $50 and $70 and were a little concerned. How many of these converter boxes, the

one that you have before you, do you anticipate manufacturing? Because you are going to have competition, and there's been different numbers—22 million, 30 million, 8 million—so you have got to have some idea how many you plan on manufacturing.

Mr. TAYLOR. We do. For competitive reasons, I can't give you a specific number, but we anticipate building millions of these boxes. And, in fact, production begins next week.

Mr. GONZALEZ. But after, let's say, the first few months or the year of the program and such that we have it in place, those boxes are pretty well useless as far as merchandise being carried and available by the retailers?

Mr. TAYLOR. I'm sorry, at the end of the transition?

Mr. GONZALEZ. Sure. The shelf life of this thing is really at the outset. Best Buy will not be carrying these in a few months, so you have to factor that in. So my next question would be how much additional cost would it be for you to manufacture to add a feature like the ability for that converter to play a DVD? And please excuse me if I am getting all the technology confused or whatever, but I am just assuming that you can add a feature on there.

Mr. TAYLOR. We make those products today, sir, and they are not eligible for the coupon because of the way the statute was written. That is only for the basic boxes, but we have products on the market today that are DVD recorders——

Mr. GONZALEZ. No, no, no, I am very familiar. Do you have any plans at present to maybe manufacture something that will be priced much lower than what you have with the DVD players and recorders that you have out there, which are really wonderful machines, but I am talking about something that may coincide right at the same time and be priced pretty close to the $60 that will have some added feature like—not recording, because I know that is expensive, but the playing of DVD.

Mr. TAYLOR. If you included a DVD player, it would be excluded from the coupon program.

Mr. GONZALEZ. Oh, no, no, no, forget about the coupon. We're going to be talking about upselling, and that was—I am just wondering where all this is going to end up.

Mr. TAYLOR. For now, we anticipate just for this product and introducing the basic converter box, but I would add for the analog consumer this is a big benefit because they move from that scratchy analog picture into the digital world and they get new features.

Mr. GONZALEZ. No, no, no, I have no complaints about what you have been able to pack into it as far as the quality. We had a demonstration yesterday, and I appreciate your effort.

Mr. Vitelli, I don't believe that Best Buy or any retailer is going to be the converter box policeman on the beat, you know what I mean? But your testimony reads as follows: If a customer has no over-the-air antenna and does not expect to use one, the customer likely has no need of CECB; and it would ill serve the customer, as well as the NTIA program and Congress and the FCC, for us to try to sell one to the customer.

That is totally out of your hands, though. You can't police that. When someone comes in with their little credit card voucher and they want one, you are not going to quiz them as to whether they

really need it or not. You are going to have to sell it to them, is that correct?

Mr. VITELLI. Well, certainly we would sell it to them if we had no contact with them.

My point of that comment is, if someone had a coupon that inevitably they don't need and they buy that box, because we have had no discussion with them about whether they need one or not, they go home and they find out they actually don't need it and several weeks or months later they will want to come back and return it and then that coupon disappears from the world and the box has already been used and now with we have a used box that we need to deal with—so it is in our best interest and the interest of the program that a person who is getting the coupon and a person redeeming a coupon actually has a need for the box.

Mr. GONZALEZ. Mr. Vitelli, I understand that, and I appreciate that, and I think it is necessary, but then it leads to what we have here as far as the testimony of Marc Pearl, Consumer Electronic Retailer's Coalition: If a customer is interested in obtaining a CECB to service an existing TV, VCR, et cetera, this will be the focus on the sales discussion and transaction. If the customer is interested in upgrading to the new digital TV or an HDTV display to better experience or enjoy watching DVDs or high-definition DVD or in receiving digital broadcast in a new TV or recording product, this will be the focus of the transaction.

So I assume once you get the threshold question about why are you here that you will probably lead into other choices. I am not saying that is evil or bad, and I think Mr. Walden and I had a discussion after the last hearing, and he may follow up on it. All I am saying is that I am not sure that this program was ever intentioned to be somewhat of a windfall for retailers to be able to upsell. If that happens, I have no idea if that is a bad or good thing. Because, on the good side, why shouldn't the consumer be advised that there are better choices closely associated with the expenditure that they are going to make in buying something that is of a basic design? I understand that the voucher does not apply, but creative merchandising would have something in the way of a rebate or something to make up for that $40 that they would be investing in the base machine.

So, one, I don't think you will be the police officer over there and you are going to basically restrict people to buying the base product. But how do you find this balance? And your sales personnel, I don't know how you stop a salesperson. I don't know if you pay them by commission or not. That will simply be moving in that direction.

That is going to be an issue, and Mr. Walden may take that up. I am just saying I would like to anticipate that situation and see how we can address it.

Mr. Uva, I have got about 47 seconds, but TV stations, broadcasters along the southern border of the United States, what is the special situation that you find yourselves in?

Mr. UVA. Congressman, we need to really focus on the stations in those communities, more so than any other part of the Hispanic world, simply because if they are left behind and Mexico not converting to digital, they will be receiving analog broadcast from

Mexican border stations and will be deprived of important emergency service information as well as global news.

Mr. GONZALEZ. As the situation exists now, Mexico will be broadcast in analog.

Mr. UVA. Will remain in analog past our transition in February 2009.

Mr. GONZALEZ. Thank you very much, Mr. Chairman.

Mr. MARKEY. The gentleman's time has expired.

The Chair recognizes the gentleman from Oregon, Mr. Walden.

Mr. WALDEN. Thank you very much, Mr. Chairman.

Mr. Barrett, I want to, first of all, thank the NAB and others for yesterday's demonstration for Members of the House and their staff on the DTV conversion. I understand about 170 staff turned out and about two or three Members. Do you think that Congress should by rule require all Members and staff to show up for events like this so that Members of Congress are actually fully informed so they can help their constituents?

Mr. BARRETT. I would like to see all the Members of Congress be fully informed, but I will stop short of a mandate.

Mr. WALDEN. That is good. I just thought I'd ask.

I do have a serious question—well, I have a lot of them, actually; and I will try to move rapidly.

Translators—I represent a district, 70,000 square miles. A lot of our viewers over the air rely on translators to be able to see their television, whether they are analog or digital. Can you give me some sort of idea of what you see happening with translators making this shift from analog to digital in terms of timelines?

Mr. BARRETT. I think it will be very challenging. We have challenges, the company, with the amount of translators we have in the State of New Mexico, and there will be some small pockets of that State where it is economically not feasible for us to expend the money to build out into a full digital facility there, and we are working with the satellite providers to see if we can provide a solution for those small number of homes.

Mr. WALDEN. Are there any remaining issues at the FCC as far as frequency allocation goes for those translators to be able make the conversion and come up on air on a digital channel?

Mr. BARRETT. I believe until the FCC finalizes its table that remains an open issue.

Mr. WALDEN. Will that table be finalized, do you believe, before February 17, 2009?

Mr. BARRETT. I believe it is imperative that it is finalized.

Mr. WALDEN. I would draw the chairman's attention to this, because I think it will be a real issue in rural areas where you are not served by the main signal of the broadcast station. And, in fact, a lot of communities are served by translators, that they may not have the opportunity of a digital box to be able to watch over-the-air TV; is that not accurate?

Mr. BARRETT. That is the theoretical potential, yes, sir.

Mr. WALDEN. Mr. Vitelli, I want to commend you and what your store is doing and that of other retailers.

I will follow up on Mr. Gonzalez's point about how we market products in America, and I don't think you want this committee micromanaging every sales transaction with penalty or there would

be no reason for you to bother to offer these boxes to begin with. On the other hand, I don't think we want bait-and-switch tactics; and on that point I think all of us would agree.

What happens today when a consumer comes into a Best Buy and wants to buy a new washer or dryer that has an Energy Star rating and perhaps a rebate associated with it versus one that doesn't have that sort of rebate and they walk in the store and want a washer and dryer? Do your sales clerks also say, gee, there is also this model has a rebate with it, it is more energy efficient, and you evaluate what the consumer wants or needs?

Mr. VITELLI. Sir, I would like to add to that. I'd like to add to Mr. Gonzalez's question. Best Buy is a noncommission environment, and our key training that we talk to all of our salespeople about is to understand and then meet that customer's unique needs. That's what we do.

Mr. WALDEN. Right.

Mr. VITELLI. Asking those questions, contacting the customer, asking the lifestyle questions of what they are interested in and what is important to them and then recommending the right product for that situation and encouraging the sale of that little acronym of CARE is how we train our sales people everyday.

So, in your example there, the conversation would be aligned—would be, around in the appliance department, OK, you came in for this. Are you aware of Energy Star? Are you aware of the benefits that it brings to you and indeed to all of us by using less water, using less electricity?

Mr. WALDEN. My example is an analogy here. If I come in saying I need this consumer or the set-top box to do the conversion, I would want somebody to say, gee, here are alternatives. Now, you don't get the coupon here or the $40 rebate, but these are also options if you are thinking about upgrading your television.

Mr. VITELLI. That is the explanation we are running on our video wall that goes six times an hour. It is already running. You have three options: You are going to get a converter box, you are going to subscribe to another way, my colleagues are here that have another way to do that, or you are going to buy a new digital television.

And it is also important to understand there is a lot of talk about the expensive digital televisions. That is because of what has been going on with high-definition television and flat-panel TVs.There are standard-definition digital televisions that are low cost that are in our stores right now.

So those three options will be presented saying here is where you came in and here are your three options. Wherever you want to go, we can help you.

Mr. WALDEN. Mr. Barrett, I want to go back to follow up on a question the chairman raised about sponsored public service announcements. Are those not a standard in the industry anyway for drunk driving PSAs and Halloween safety public service announcements? Isn't that a frequent situation where there are industry groups or businesses who want to sponsor a message because it is both in the public good and in their own good?

Mr. BARRETT. Yes, sir. That is a widely practiced matter in most respects. And I think of in Baltimore, at our station there, WBAL,

if it is involved in the Susan Coleman Cancer Run, Hopkins may want to be a sponsor of that. I believe it enhances the message.

Mr. WALDEN. And, actually, it may add more messages on the air than you are planning to do for free through the public service announcement strategy. So it is actually an industry-wide effort to add to the message, not detract.

Now, I understand the chairman's comment about potato peelers or Pocket Fishermen or something maybe being Ginsu knives, I don't know, being not necessarily what you would put in place with that. I think the reference was it would be irrelevant to have some of those people sponsor it. Do you think it would be irrelevant if a Member of Congress's campaign sponsored one of those messages? Would we be considered irrelevant to that process?

Mr. BARRETT. I would like to take that under advisement.

Mr. WALDEN. You may want to consult.

The final point I want to make—and it is really not necessarily to this panel, because we don't have anybody here from the satellite companies, but we may later—there are still pockets in America where over-the-air broadcasters are having difficulty getting local-into-local signals set up on the satellite systems. I have that in my district, and Ben Dorigan with KTVZ is having a real problem with that. It is a growing frustration for them and for viewers I think in these local markets.

That was part of the deal, was to have local into local; and some of us are running out of our patience in terms of the excuses on why that can't take place in an analog environment, let alone in the digital environment. And that is an issue I continue to pursue.

Mr. Abbott.

Mr. ABBOTT. If I can second what you are saying.

Mr. WALDEN. I also have this problem in public broadcasting in southern Oregon, too.

Mr. ABBOTT. Absolutely. And we have in that our model of supplementing the Federal investment in public television in a public-private partnership with significant support from the community to support programs. As I was mentioning in my testimony, we are greatly concerned in rural areas that local into local move forward, high definition move forward and the range of new digital services that are available to every station to localize in their communities are established through satellite carriage, because that creates the service that then communities respond to and make an investment in public television.

Mr. WALDEN. I am going to steal back my last 5 seconds to make a point to the chairman that in a future hearing if we could address this translator issue vis-a-vis the FCC's rulemaking and the allocation of those signals I think it would be real important to this conversion success.

Thank you, Mr. Chairman.

Mr. MARKEY. Done. Thank you.

There are three roll calls that will be held on the House floor beginning in about 10 minutes. So I think that gives us time to recognize the gentlelady from California, Ms. Solis, for her 5 minutes of questions. Then we will recess, and then we will return to let other members be recognized.

The gentlelady from California is recognized.

Ms. SOLIS. Thank you, Mr. Chairman.

I just wanted to get a response from Mr. Vitelli and Mr. Taylor. I have information before me where U.S. PIRG did I guess kind of a random study here in Washington, DC. And they visited several of our local stores, five electronic retailers. And in interviewing clerks and supervisors many of them were not aware, were giving inaccurate, misleading information, didn't know about the converter box program. Some didn't even know about the coupon.

Can you please respond to that, Mr. Vitelli?

Mr. VITELLI. Yes. As I said earlier in my testimony, there was very little information other than—and what our training includes today—that there will be a converter box and there will be a coupon. That is what is in our training today.

I think we are at a point now we can begin to take that training to the next level of this is the various converter boxes that will be available, this is the date that they will be available, and this is when the coupon application process will all begin to start. And that will happen after the holiday when we get into 2008.

The training that we do today in our stores is generally focused on the questions that people are coming in and asking about today. And the majority of people that walk into our stores right now are talking about high-definition TV, flat-panel TVs; and that is the preponderance of our training right now. That is going to change and ratchet up as we get closer to the transition.

So I would say as we get into the application process, which will happen the early part of next year, and certainly as we get into January and February of next year with the transition, that both the training, the messaging in our store, the messaging in our advertising will ratchet to meet the response that the customer is going to have.

Mr. TAYLOR. We agree. At LG Electronics we have been increasing our sales training activities surrounding the digital transition generally. We think it is a little too soon to be start talking about the boxes, because they aren't yet available. But we are preparing and in fact just this week met with 800 of our dealers, and a huge module of that was the discussion about the transition and the converter box coupon program.

Ms. SOLIS. But we just heard that there are commercials and PSAs that are already going out. So there could be some confusion amongst our consumers that is maybe unintended, but it is there. So I am just cautioning that maybe we need to have some quality control here and maybe know exactly what it is we are telling our staffs to tell people. In fact, I understand that some people weren't even told that they had to purchase a converter box. They were actually trying to sell them higher-end equipment. So that is something that Mr. Gonzalez brought up earlier. So I would be concerned about that, just misleading; and it may not be intentional, but it happens.

One of my questions, too, is I worry about those senior citizens that live in convalescent homes, whose children bring them their old television set or they bought them when it is already old and the fact that many of the convalescent homes don't allow them to have digital or their own cable set-up. What are we doing to reach those kinds of particular areas? Because that is a very different

population, and not all of them are going to go sit in front of the big plasma TV during lunchtime. Some are immobile. How do we handle that?

Mr. ABBOTT. If I might comment on that, that is an area of great interest and focus, of course, for public television, where many of the elderly residents in all of our communities care greatly for the range of programming that we provide. It is a relationship that has been fostered over time. It is why in my testimony I offered the expressed interest in supplementing the messaging that we can do on our television stations with on-the-ground education and outreach. And in our communities and communities across the country, senior centers, convalescent homes, in addition to libraries, facilities tied to Ready to Learn and Head Start programs, those are the ways on the ground we know we can experience some success in having people really understand the transition.

One of our concerns is that a 15-second or a 30-second message is the beginnings of awareness. It presents the beginning of awareness but not necessarily a way of talking through the most productive and prevalent solution.

Ms. SOLIS. Mr. Chairman, I don't have a lot of time, so I want to submit questions also for the record.

But I do want to say that one of the greatest concerns I have is that, again, the coupon is worth $40. If the converter cost $60, how many chances will a family member get to use the coupon? Is it just one per set or how does that work?

Mr. VITELLI. It is one coupon per one converter box.

Ms. SOLIS. So it will affect just one?

Mr. TAYLOR. And each household can apply for two coupons.

Ms. SOLIS. That might be another question to revisit.

Mr. MARKEY. The gentlelady's time has expired.

The gentlelady from California, Mrs. Capps, says that she does not mind if she has less than 5 minutes, so we will recognize her for that purpose.

Mrs. CAPPS. And I am going to presume that I can run really fast to the floor and not miss the vote. But I thank the chairman for allowing me. I am not able to come back after the series of votes, but I wanted to—and I just am going to ask very brief questions of two people if I could, Mr. Knorr and Mr. Willner. Some of the other concerns I have have been addressed, and I am going to assume they are going to be followed through.

Mr. Knorr, parts of my district are serviced by very small cable providers. I am concerned about how FTC's dual-carriage order will affect cable and broadband service for my constituents. Can you tell me—can you give us an idea of how many small cable operators are likely to be affected by this? Because it will have a direct impact on my constituents, I am sure.

Mr. KNORR. Absolutely. It is very similar to the translator issue. We estimate as many as 1,000 communities served by analog-only cable operators serving just a few hundred customers. And we think that a mandate to deploy digital where there is no financial justification similar to translators to be able to afford that upgrade to digital, very likely, almost with economic certainty, will drive many of these operators out of business, in which case there is no one to provide that service possibly to a retirement home.

Mrs. CAPPS. I hear you. And that is a big concern of mine, and we will go further into it another time, I hope.

Finally, Mr. Willner, I am concerned that as the DTV transition nears some consumers may feel they have to switch to more expensive digital cable in order to continue viewing certain programs because the channel on which the program airs has been moved to the digital tier. Does cable have any plans to move certain channels or networks to its digital-only tier? I want to be assured for my constituents again.

Mr. WILLNER. The agreement that we have reached that did not make it into the bill but we did a voluntary agreement was for carriage of the analog and the digital signals of all broadcasters, the must-carry broadcasters.

Mrs. CAPPS [presiding]. Now I am supposed to gavel you down and run to vote.

Until after the series of votes, we will be in recess. Thank you.

[Recess.]

Mr. MARKEY [presiding]. The hearing is reconvened; and, as you can see, there are many members who continue to have an interest in this subject. There is just no end to the number of hearings that we can have on this issue.

And the gentleman from Texas, Mr. Green, is recognized.

Mr. GREEN. Thank you, Mr. Chairman.

I would like to thank our panel again for being here.

Mr. Taylor, I know in your testimony you said that converters would be available some time in early 2008 for about $60; and I was going to follow it up with Mr. Vitelli from Best Buy. Is that pretty well what you expect, that the converters will be in Best Buy, for example, or even your competitors? I know you are at 25 percent of the market. But if you have them, I am sure your competitors want to have them also. Is there a broad range of dates? How early in next year? Because if those coupons are sent out in January, people will sit there, and they will show up at the retail operations.

And I know you said because of the deadline on those coupons they would be able to use that coupon and get one when it is delivered, so they wouldn't worry about the date on that. Do you know if your other retailers or other competitors are using that same scenario or has the FCC said anything about that is what they would like to see done?

Mr. VITELLI. The complexity of the dilemma that you just described is why we made the recommendation that, as the applications start to come in starting in January to the NTIA, that the NTIA should say to consumers, don't expect your coupon before April 1. What that is going to allow to happen is the multiple—hopefully, multiple approved box manufacturers to be able to state what their production capacity is by week and by month. And then we will know, OK, here is the production capacity. NTIA should then release coupons against weekly and monthly production capacity.

They have also—we have been working with IBM—will be able to tell us and other retailers here are the coupons that are being issued by Zip Code. So as we try to figure out of the 10,000 retail locations in the country here is where to put them. So that supply

chain process that you described is very complex. It happens every day, but it happens in a more predictable model of how consumer demand for goods are.

This is very different, and the actual coupon issuance needs to match up with the product availability, which is going to need—the industry as a whole is going to need to understand production capacity by month and then issue coupons against that so retailers can order those quantities and all three of them match.

Mr. GREEN. So they could control the distribution of the coupons once they receive the applications to somehow fit with the distribution chain for the retail operations.

Mr. VITELLI. And that will be the best thing to do to avoid customer disappoints.

Mr. GREEN. Do you think we are going to be that well organized to do that?

Mr. VITELLI. I think—with several key manufacturers and several key retailers and IBM at the center with NTIA I think it can be done.

Mr. GREEN. One of the other concerns I have—and I know it was mentioned by some of my colleagues—is the availability of those coupons and how broadly they are going to be distributed. Are they going to be available to the public, for example, at Best Buy or Circuit City or someone else? Or are they just going to be Internet based?

And again in an area that—I have a very urban area in Houston that has less cable penetration, but they also have less computer access and Internet penetration. So what are the suggestions on how those applications would be distributed?

Mr. VITELLI. We have committed that we will have applications in all of our stores. So if someone comes in and says I need an application in January, we will have it. I think it would be great if all of the consumer electronic retailers that are participants in the coupon program have the applications available.

Mr. GREEN. Mr. Chairman, one of the concerns I have, and I think my colleague, Congresswoman Solis, talked about the impact on Hispanic cable viewers, because I have the same situation, to make sure that we have those. I was thinking, because in every newsletter we send out we put a little blurb in about the DTV transition, and I don't know what we would need to take, but I know some of us over every few years will send out a voter registration application bipartisanly. If that would be possible for—maybe it comes from our committee—to say that Members of Congress could actually put that in their newsletters and their application or however we could make it available, just like for retail operations. But we could do that.

Mr. MARKEY. I think that is an excellent idea. I think we should pursue that and maybe recommend it to the other Members, maybe with your leadership.

Mr. GREEN. I will talk with what we call the mayor of Capitol Hill, our House Administration Chair, and see if that is something we could work with.

Mr. MARKEY. Excellent.

Mr. GREEN. Thank you. And thank our witnesses.

Mr. MARKEY. The gentleman's time has expired.

The chair recognizes the gentleman from Virginia, Mr. Boucher.

Mr. BOUCHER. Well, thank you very much, Mr. Chairman; and I also want to join with you in welcoming our panel of witnesses and thank each of you for your enlightening testimony here today.

For Mr. Willner, Mr. Barrett and Mr. Vitelli, as I understand the statute that authorizes the distribution of vouchers for these converter boxes, the vouchers will expire 90 days from the date upon which they are issued; and I am wondering if there is any justification for retaining that provision. I have heard Mr. Vitelli say that we should make sure that we issue vouchers in accordance with the availability of converter boxes and that they be issued in that kind of parity. But I am wondering if an outright repeal of this provision might be preferable. Is there an argument for retaining this 90-day limit?

Mr. BARRETT. Mr. Boucher, I would agree with you. I think that this is not the right solution, and it is going to pose more problems going forward. I don't think there is logic to it at this point to stick to a 90-day date.

Mr. BOUCHER. The concern, obviously, is that someone will get a voucher in January or February of next year and potentially delay going to the store in order to get a box until the voucher expires. And then that voucher recycles back, and I suppose somebody else could have it issued to them at some later point in time. But that individual who has been disenfranchised, I am not even sure that person is eligible to go back and reapply. I don't know the answer to that. So that person potentially could be disenfranchised.

The more common situation might be where the individual receives the voucher, goes to a store and the kind of parity of voucher issuance and device availability Mr. Vitelli talks about somehow fails, and the store simply doesn't have the box. He goes back 2 weeks later, the store doesn't have the box, and he gives up, and his voucher expires. He is rendered, I guess, ineligible from getting another one.

And in the face of that uncertainty it just seems to me that repealing this 90-day provision might be the better course to take; and, Mr. Chairman, I would suggest that we consider that and possibly put forward legislation in order to do it.

The reason I am raising the question is just to see if anybody has a justification for retaining this 90-day expiration, and I am not hearing any.

Mr. Vitelli.

Mr. VITELLI. I actually have two thoughts of why it is a good idea.

Mr. BOUCHER. Why what is a good idea?

Mr. VITELLI. The 90-day expiration is a good idea. And I will try them. Because I understand the dilemma that it is creating. One is that there is another scenario that all the coupons are issued and everybody waits until February 18 to get the box and there is 22 million people lined up outside of all the stores and there actually isn't any linear production and issuance of these boxes and getting them into homes. That is almost untenable for retailers and manufacturers.

So the perfect scenario would be that 2 million a month of these converter boxes, the coupons were issued, they were manufactured, they were sold, and people came in in an orderly fashion over the course of the 15 months. So that is one reason I actually think it is good. As the coupon comes in, you have a motivation to go to the retail outlet and get a box. You may not install it that day, but now you physically have it.

Mr. BOUCHER. Well, I understand the ideal situation, and I agree with you. If the world works as nicely and cleanly as you suggest that it may, that will solve the problem. But I don't have that level of confidence that it will work with quite that level of efficiency, and then I think people are going to get caught in a crunch.

But let me move on to another area where I have a question. Mr. Willner, I realize it is difficult for you to speak for every cable system in the country. But you speak with authority on cable issues, and you are here this morning representing the industry, so let me pose this question to you.

I am looking for a level of comfort in terms of what the cable subscriber is going to receive in the home when the digital transition has been accomplished, and so I am going to ask three questions about what that cable subscriber will receive.

Question No. 1, will he get an analog signal delivered on the cable system so that he can keep his analog sets in operation without having to buy a converter box? Yes or no?

Mr. WILLNER. Yes.

Mr. BOUCHER. Question No. 2, will he get a full digital signal on the cable system so that his new digital set operates efficiently with digital feeds coming off the cable system?

Mr. WILLNER. Yes.

Mr. BOUCHER. Question No. 3, when the local affiliate of a network, television network is broadcasting in high definition, will the cable system be carrying that full HD signal into the home?

Mr. WILLNER. Well, are you talking about must-carry?

Mr. BOUCHER. For the must-carry stations, that is correct.

Mr. WILLNER. Yes.

Mr. BOUCHER. So the answer is yes.

Mr. WILLNER. Yes.

Mr. BOUCHER. So the answer is yes to all three of those.

Mr. BOUCHER. Yes.

Yes, sir. I see your hand being raised, and I can't read your sign. I'm sorry.

Mr. KNORR. Patrick Knorr. I'm chairman of the ACA. We represent the smaller cable company.

Mr. BOUCHER. And what is your answer to those questions?

Mr. KNORR. And my answer to those questions, the first one is yes. But the next two are a little bit more complicated for smaller operators.

If they are required to carry HD signals for the smallest of operators, it is very akin to the translator problem that broadcasters have of if you are a mom-and-pop cable company with two people running a cable system serving 100 customers in a small rural community, 100 customers does not support the investment in HD. There is probably not as much demand there, and there is alternatives for those people in that community that do get HDTV sets.

But the business model doesn't support it. And if there is a Government mandate to provide an HD signal, chances are that cable company is going to cease to exist and their customers are not going to get the HD signal or the analog signal. And that is a really major concern that we think may affect up to 1,000 communities in this country if that is not very well thought out. And the current policy that the FCC has released, combined with the must-carry mandates that are already in place, really leave grave concerns for what will happen with small cable companies.

Mr. BOUCHER. Thank you very much. My time has expired. And thank you, Mr. Chairman, for your indulgence.

Mr. MARKEY. Thank you. I appreciate it.

The gentleman from Michigan, Mr. Stupak, is recognized.

Mr. STUPAK. Thank you, Mr. Chairman.

Mr. Knorr, the third answer to Mr. Boucher's question, would you care to clarify on that one?

Mr. KNORR. Clarify which?

Mr. STUPAK. Your answer to his third question there.

Mr. KNORR. I'm sorry, the HD signals.

Mr. STUPAK. Yes, with regard to high-definition signals.

Mr. KNORR. Correct. Any member, just like the education issue, we all have a huge stake, a market incentive, to be as competitive as possible. We want to serve our customers. We want to provide our customers with HD signals. It is really a matter of economic ability for the very small operators, which is really where we are asking for allowances to be made for systems that are very small or very limited capacity.

We used to have 30,000 customers in Lawrence, KS. We are going to be providing an HD signal, we are going to be providing a digital standard definition signal, we are going to be providing an analog signal for every single broadcaster in our market. We want to do that for competitive reasons.

But, again, if you are a 100 subscriber system, even 1,000 subscriber system, that is a mathematical impossibility to finance the equipment required to do that.

Mr. STUPAK. In the last hearing, I asked Mr. Martin about it, when the FCC was here, about the dual carriage; and he said there was not that obligation, that you can go one way or the other, you don't have to have the dual-carriage license.

Mr. KNORR. Well, there is a definite lack of clarity. For one is that written order has not been made available, and it doesn't exist. Martin may know that, but he hasn't published to the rest of us. We haven't read it. We don't know that to be a fact.

And there are other rules that are also in place besides the FCC mandate that require must-carry to carry the native signal, and those go back to 2001.

Mr. STUPAK. In your September order, they also allowed you to—or not "you" but I mean small cable operators have an option of asking for an exception to that order they put out in September. But you make a point in your testimony that, well, look, if we can't afford equipment, what makes you think we are going to be able to afford an FCC lawyer? No disrespect to lawyers, but what kind of costs are we looking at here?

Mr. KNORR. Well, the costs are really uncertain. The process for the set-top box waivers for the security ban prove to be very burdensome where the FCC did not even follow their own rules of response where they said they would respond within 90 days. In many cases, it was 6 months, sometimes as long as a year before that response came out.

So, again, with all due respect to lawyers, something that takes a year process can be very costly versus something that has a very finite response and that is lived to. We have not seen that from the FCC, so there is grave concerns that that would take time to navigate.

And, again, when we are talking about a mom-and-pop system, if someone tries to navigate that process on their own, if two people are running a small cable system, the phones don't get answered, service calls don't get run, they can't operate their business.

Mr. STUPAK. Well, I asked them about one with 133 customers on there. Anyway, I am following up with Mr. Martin with further questions on his testimony last week or so when that was, so I am glad to share that with you when I get some response.

Mr. Vitelli, if I may—and to all the witnesses, thank you for being here. I was listening in my office in between appointments, and Mr. Dingell was asking you about the coupon program. And the way I understood your answer was like, well, you can come in and purchase it from Best Buy, and Best Buy accepts their own coupon or gift card, but yet they won't accept by mail or e-mail a coupon from the Federal Government for these converter boxes, right?

Mr. VITELLI. We were talking specifically about *BestBuy.com*, the Web site. Up until very recently, we weren't able to even accept our own gift cards. The only option you had was a credit card. It was a single tender option. We have been able to, as I said just recently, just a few months ago been able to add a Best Buy gift card online; and it is because of the transactions, if you will, of the Best Buy gift cards stay within the Best Buy system. To add a second outside tender is economically and technically not feasible within the timeframe of the program. So our intention is to have them in all of our stores and to be able to take orders over the phone.

Mr. STUPAK. So they have to call Best Buy then.

Mr. VITELLI. In the store or call Best Buy.

Mr. STUPAK. But then how are you going to accept a coupon then? They are going to have to bring the coupon in and an extra $20. If it is $60, you get a $40 coupon, you are going to have to send in 20 bucks plus the coupon and then you are going to ship it to them?

Mr. VITELLI. That's correct.

Mr. STUPAK. Plus they are going to pay for the cost of shipping?

Mr. VITELLI. Depending how we work that out, yes.

Mr. STUPAK. See, my concern is, in my district, there are no Best Buys. Even Radio Shack is probably 100 miles away from most of my cities. We are just going to be running back and forth. So all this improper testimony, make sure you get the right box and all this, it would sure be a lot easier if we could go online, redeem online, do that last 20 bucks on the credit card and get it shipped to us and ask the questions online.

I find it hard that you just won't accept the Federal coupon. You got to have some kind of markings or readings on these coupons to allow you to do that.

Mr. VITELLI. We would love to do it. It is not that we are not trying to do it. I have been told by my IS/IT people that it is not technically doable in our system. I said I don't believe that that is necessarily a broad problem, and hopefully out of all the other retailers that are part of the Consumer Electronics Retailer Coalition there is going to be more than one that will be able to do it online.

Mr. STUPAK. We have done your retail coalition in my district. Very few are in my district. So how are we going to access it, besides driving a couple hundred miles or, I guess, over the telephone?

Mr. VITELLI. Telephone is one. But I would predict—and I don't know this. I would predict there are going to be other retailers that will be able to do it. I was talking specifically about Best Buy and our inability to do it. I don't think that is going to be broadly the case.

Mr. STUPAK. Thank you.

Mr. MARKEY. The gentleman's time has expired.

What we can do, if the members would like this, we could go to a 3-minute round if members have additional questions that they would like to follow up on; and the Chair will recognize himself.

I want to go back to Mr. Barrett, Mr. Swanson and you, Mr. Uva; and that is that earlier question that I was asking about, the FCC's PSA minimum and whether it is a minimum or not that undermines what the broadcasters are seeking to do voluntarily. Could you address that question, each of you?

Mr. Barrett.

Mr. BARRETT. Perhaps I should have better characterized that. Rather than we are in opposition to that, we think there is a better solution. And my concern as a broadcaster and a business executive is that we not create a standard that applies to the lowest common denominator here and in effect gives stations a disincentive to do the kind of multi-marketing things that will drive the success of this program.

I think that is just an imperative to understand that this can't just be about PSAs. And if we have an environment that the Government wants 4, 8 or 12 PSAs a day, if stations believe that that is all that needs to be done, we will not be as successful as we need to be in this endeavor.

Mr. MARKEY. Mr. Swanson.

Mr. SWANSON. Well, I would echo what David Barrett just testified. I think the most effective way is to enhance on what is discussed with PSAs and crawls; and that is to use our news programs, our public affairs programs, our morning shows, our Web sites. And I think that—and on Fox we want to use our diversity development group to go after the community organizations in the African American communities, the Hispanic communities, the senior citizens. It is going to take a lot more than just PSAs to do that, and we are prepared to do that. We are doing that. And I think if we let broadcasters do what we do, we broadcast, we know how to reach people, I think we can do it effectively.

Mr. MARKEY. Mr. Uva, I want to follow up on something the GAO highlighted for us in its testimony 2 weeks ago and that is the technical operational difficulty of actually getting the switch done. Can you and Mr. Swanson and Mr. Barrett say with certainty that at midnight on February 17, 2009, that 100 percent of analog signals will be turned off and digitally fully on?

There are a limited number of construction crews in the northern States. In February, there is icy weather. The FCC has not acted on all of its construction permits. And aside from consumer education programs, how concerned are you about these technical challenges?

Mr. UVA. We are very concerned about some of the technical challenges, but we are constantly vigilant of trying to be ahead of those dates so that we are able to comply and to fully switch over on February 17, 2009.

Mr. MARKEY. Mr. Swanson.

Mr. SWANSON. Well, with a transition of this size and magnitude, there are going to be outstanding technical issues; and we would be hopeful that the FCC would move and move quickly on some proceedings that we need in the technical area so that we can refine what we need to do in terms of equipment, purchase and installation.

Mr. MARKEY. Mr. Barrett.

Mr. BARRETT. I would echo what Mr. Swanson said.

I think there are two proceedings that I believe the Commission is close to concluding, the reconsideration on the final DTV table and their third periodic review of the DTV rules. Absent the wrap-up of those proceedings, there will be some stations that will be challenged to order and have fabricated antennas and the like to accomplish this to the precision of 100 percent delivery on the date in February, 2009.

Mr. MARKEY. Thank you. My time has expired.

The Chair recognizes the gentleman from Michigan, Mr. Upton.

Mr. UPTON. Thanks.

I just have one additional question I am going to ask Mr. Taylor, Mr. Knorr and Mr. Willner. Isn't it true that converter boxes will enable the old analog TVs to receive digital multi-task programming over the air for free? Since that is so, there will be some 8 to 24 million TV sets using these converter boxes, not to mention the more millions of digital TV receivers. Doesn't that indicate that there is more than an adequate business model for quality multicast programming?

Mr. WILLNER. I would think that is an ample amount, and that also helps to create the content that gives cable operators incentive to carry additional streams as well.

Mr. KNORR. I would echo that. And just as Mr. Willner said, if it is quality content that is being generated in addition to those boxes, cable operators want to carry multi-cast signals that have valuable programming. So we will increase that business spot.

Mr. TAYLOR. We agree. In fact, we think it is going to be a key selling point for converter boxes to talk about that capability.

Mr. UPTON. And the other thing, of course, as many of the staff saw yesterday, you actually get a better signal. And for many folks when they first—that was the real reason why they went to cable

in the first place 20 some years ago, because you got a better signal. You didn't have the number of programs or number of channels that were there, you actually had a better picture. And so that will be yet another selling point.

So with that type of answer then, obviously, it would seem that we don't need more regulations to mandate multi-cast must-carry. Would you come to that conclusion?

Mr. KNORR. Yes.

Mr. WILLNER. I vote in favor of the motion.

Mr. UPTON. And that is for all cable companies, is that right, Mr. Willner?

Mr. WILLNER. For everybody.

Mr. UPTON. I yield back. Thanks.

Mr. MARKEY. The gentleman's time has expired.

The Chair recognizes the gentleman from Virginia, Mr. Boucher.

Mr. BOUCHER. Thank you very much, Mr. Chairman.

I just want to focus for a moment on the public education campaign to advise TV set owners that the digital transition is coming. I think it is very interesting. In the United Kingdom, there are 60 million residents. We have about 300 million residents. The United Kingdom is planning to spend on its public education campaign 200 million pounds. That is about $400 million. We are planning to spend $5 million here. And for a country that is one-fifth the size of ours, almost 100 times as much will be expended. So who is getting it right? Is the United Kingdom right or are we right about this?

And a second aspect of this question is whether the very commendable commitment that has been made by broadcasters and cable together, totaling about $800 million for their own public education efforts, offsets the positive public funding or whether we really need more public funding? And if we do, what level would the members of the panel suggest?

So who would like to respond?

Mr. ABBOTT. I appreciate the opportunity to speak to that.

I think, actually, if you look at the character of the questions today and sorting through what that experience in the 12 months prior to the cut-off is going to be like, where the device is, how do I get them, how do I install them, what are my choices, clearly, there is a sequence of communications that needs to be executed effectively at the retail side, on the manufacturer's side.

But I think in the questions we have had today it is more than abundantly clear that a 30-second announcement of the fact that the transition looms is just the tip of the iceberg, and I think what you see in the Great Britain program is a recognition that people who don't live their lives thinking about how to connect devices to televisions need more guidance than that.

We just opened a brand new facility, a new home for WGBH, just 2 weeks ago; and I had 4,000 contributing families come through over the course of a Saturday. And I stood in front of our master control operation, and it was fascinating to me, all of the questions. Many of the questions were about these new digital services and how do I get them and what is this thing I am beginning to hear about. Will my old television set work? And the thought that I would have had to figure out how to say in 30 seconds all they

needed to know to have them effectively bring the television services into their homes was beyond imagining. So I learned a lot that day about what is really required to give people a sense on the ground in their homes what is going to be required to adequately connect to these marvelous digital services.

Mr. BOUCHER. So you would agree we should be spending more?

Mr. ABBOTT. I think Great Britain has it right. To really connect with folks who have questions who are not in the industry, a more significant investment is required. That is why we spoke to the bill that Congressman Engel has put forward.

Mr. BOUCHER. Does anyone disagree?

Mr. BARRETT. The reality, sir, is that we are dealing with a limited amount of funding that has caused the broadcasters and the cable industry to step up in a very aggressive way. And I would submit that the kind of comprehensive program that only the broadcasters, only the broadcasting piece of this, if it delivers 98 billion advertising impressions, if it reaches 94 percent of the U.S. television viewing viewership and the average frequency of those messages is over 400, that we have got a saturation program in place.

Mr. BOUCHER. Well, I agree that it is impressive; and I think you are to be commended for doing it. I am still not sure it is enough.

Thank you, Mr. Chairman.

Mr. MARKEY. I thank the gentleman.

If the people visiting Mr. Abbott's studio don't get it, it is about as sophisticated a group of people that we have in the country that will be walking through on the first day of the opening of the WGBH studio.

The Chair recognizes the gentleman from Michigan, Mr. Stupak.

Mr. STUPAK. Thank you.

I want to go back to the coupons again, Mr. Vitelli. Is Best Buy or anyone in your Consumer Electronics Retailers Coalition working with NTIA to make sure there will be a way we can redeem these online? You just said you can't do it, and you just recently did it. But is anyone asking NTIA or IBM, I guess, really, in this case, how can we make this happen so it is convenient for people, especially those of us in sparsely populated, rural areas?

Mr. VITELLI. I don't know that, but I will find out and get back to you the answer of what is going on between other retailers.

Mr. STUPAK. Thanks.

Mr. VITELLI. Mr. Abbott, if I may, Chairman Markey started off with this question, and I want to explore this a little bit more. With the satellite industry being EchoStar and DirecTV has not reached an agreement, the carriage agreement there with public television after DTV transition, how large an audience would be affected if there is no agreement here?

Mr. ABBOTT. We are very concerned in that regard. DBS services to the American people represents approximately 23 percent, as many as 30 or 31 million homes. Many of them are in rural areas: Oregon, Nebraska, Illinois, Virginia, Michigan. And we are very concerned because, while we have reached a very effective set of carriage agreements on the cable side, we have not yet reached an agreement with either DirecTV or EchoStar. There have been conversations with DirecTV. There is not an agreement, and there has

been even less conversation about the potential of digital on the EchoStar side.

The challenge to us is, as we are watching on the commercial side, there are as many as 1,500 local stations whose high-definition services already on the commercial side are getting carried and yet not a single public station is being carried in high definition. Combine that with the fact, earlier remarks by one of your colleagues, about the fact that public television has made the more substantial commitment to multi-cast programming, a larger library of choice and convenience for the American people at a time in which public television will serve better, will have greater impact across our library. We are grateful for the enhanced carriage, the full carriage assured us by the cable operators, but we have not secured that from satellite.

Mr. STUPAK. Well, public broadcasting is partnered with Homeland Security in that digital emergency alert system, so if you don't have the digital this won't work then, right?

Mr. ABBOTT. That's correct. We aspire to universal service to the American people; and if the satellite piece of that puzzle isn't there that full range of services, including our commitment to Homeland Security, is at risk.

Mr. STUPAK. Thank you.

I have nothing further, Mr. Chairman.

Mr. MARKEY. The gentleman's time has expired, as has all time for questions by the panel on this largest panel ever assembled in the history of Congress.

And what we would like to do is to get the final word, 1 minute from each one of you, what you want us to know about what you are going to do between now and the next hearing we are going to have with the largest panel in the history of Congress so that—because we are going to start getting questions asked of each of us who are members of this Subcommittee on Telecommunications beginning in January or February. So they are going to think that we know all the answers out on the floor. So as they are being besieged we will in turn get besieged for the answers.

So could you tell us, each of you, what your plans are, what you want us to remember as we conclude this hearing, looking forward to the next one? Mr. Taylor.

Mr. TAYLOR. Mr. Chairman, when I see you next, we will have sold millions of boxes, hopefully. We are in production beginning next week. Our commitment to work with the DTV Transition Coalition and all of the stakeholders is stronger than ever, and we are committed to making this a smooth transition for both our retail partners and, ultimately, the consumers that need these boxes.

Mr. MARKEY. Thank you, Mr. Taylor.

Mr. Abbott.

Mr. ABBOTT. Mr. Chairman, we will be committing to a clear, understandable communication program with everyone in our communities across the country, mindful of what they will find at retail and the boxes available, committing as best we can with the resources available to the communications we can offer on our air and in our communities. With greater resources, we can amplify the reach of those messages and ensure a successful transition.

Additionally, on the 19th of November, we are convening here in Washington a digital television closed captioning summit with a cross-industry representation of manufacturers, programmers, including those from the cable industry, Verizon, as well as, as I have said, manufacturers, device manufacturers and retailers talking about making closed captioning a reality in the digital environment and accelerating the way in which we can adequately serve all Americans.

Mr. MARKEY. Thank you, Mr. Abbott.

Mr. Vitelli.

Mr. VITELLI. Best Buy, along with all the other retailers, are going to work very closely with the NTIA and with our manufacturing partners to ensure that we have converter boxes available and systems to process the coupons with NTIA.

Additionally, we are going to work with everybody that is involved with the DTV Transition Coalition to make sure that the messages to our consumers are clear, understandable and correct.

Mr. MARKEY. Thank you.

Mr. Swanson.

Mr. SWANSON. A significant consumer awareness and education effort is necessary to facilitate the digital TV transition. We believe in the voluntary efforts that are already under way. We are running PSAs in prime time on the Fox network through various day parts on our television stations. But we think that it is much more than that that is necessary, and we are committed to do that.

On the technical side, we are hopeful that the FCC will get through these next couple of proceedings so that we can get on with doing the things technically and on the engineering side that we need to do to be ready for February 17, 2009.

Mr. MARKEY. Thank you, Mr. Swanson.

Mr. Uva.

Mr. UVA. In addition to continuing our accelerated pace with the public service announcements across all of our television and radio platforms, we will be ramping up our community outreach programs; and we will also have completed and hopefully aired a program dedicated—a public affairs program dedicated to explaining the transition to digital to Hispanic consumers.

Mr. MARKEY. Thank you.

Mr. Willner.

Mr. WILLNER. Just you hear a lot about the laws of unintended consequences here. Having the largest hearing ever in the history on digital television also means you feel like you are sitting in the middle seat on the Delta shuttle and delayed for 3 hours. Do you remember that?

The cable industry told you 2 years ago we would be ready, willing and able to provide seamless transition to digital, 2 years ago. We continue to be ready, willing and able as well. I have stood up voluntarily adding to commitments that we are going to carry multiple streams of broadcast signals so that the transition is seamless to our customers. They don't have to do anything.

And we are going to step up and have already stepped up with an advertising campaign, along with the broadcasters and with the retailers, to make sure our customers are fully informed as to what they need to and not need to do.

Mr. MARKEY. Thank you, Mr. Willner.

Mr. Barrett.

Mr. BARRETT. The voluntary program I have spoken to is under way. I think it will grow exponentially as stations activate all of their efforts across all of our platforms. We are prepared to report on our performance. We are prepared to track and share with you the growth and awareness that we create. And I have not properly referenced the effectiveness I think of the Transition Coalition that is in place which touches today 171 grassroots organizations that I think will serve the interest and be responsive to many of the points, questions about special constituencies that we need to be in touch with. So I think that program is well under way and effective, and we look forward to moving ahead with the voluntary program.

Mr. MARKEY. Thank you. Mr. Barrett.

Mr. Knorr.

Mr. KNORR. Small cable operators also will be focused on educating both their customers and other small operators on what the digital transition will mean.

More importantly, as Mr. Willner pointed out, we want to make sure this is a seamless transition. Right now, we still have grave concerns of whether that will be the case for our very small cable operators unless the FCC really gets it right and absent of that may require congressional intervention.

Mr. MARKEY. Mr. Knorr, thank you.

And you, Mr. Bruno.

Mr. BRUNO. Thank you, Chairman.

It is important to note that the 910 class A stations in America, the 1,600 low-power stations and the 4,000 translator stations are not part of this transition. They will remain analog. That means that 80 percent of the broadcast stations in America will, after the transition, still be broadcasting analog.

Under our proposal in 1999, Congress made class A stations—everybody had the chance, all low powers had the chance to be class A. We took class A, and we made great stations, and those operators took the opportunity to make local programming and become good broadcasters in their community. We are set to go in the next 60 and 90 days to forego our second channel and clog up spectrum and free it up and become digital broadcasters to move this transition forward.

I would like to leave you with one quick story, if I may. A week ago Monday, the fires were in California; and, in fact, in Congresswoman Bono's district there is a station there. It is about 100 miles east and south of Los Angeles. You had all the helicopters and all the news stations covering all the fires in Malibu and Los Angeles, but no one was covering Murrieta and Temecula and Escondido.

What happened is, in the morning, the children went to school in Escondido. Somehow, the wind shifted and blew a line through houses and started burning houses in a strip through. Here is where all the parents live. Here is where all the children are. The line goes through. They close down the freeway. Parents are frantic. People are running around trying to get their children. The only TV station paying attention to that little local community was

the class A low power, KZSW. They were on the air 24 hours telling what was going on.

Now, the problem with that is that it is 71 percent cable. So 71 percent of the people didn't know that this was going on. So all of a sudden it became a big problem with first responders, because you had parents trying to beat these policemen up on the highway trying to get their kid. If they could have listened to the local television station, if we could have told them, they would have known that their children were safe.

Mr. MARKEY. Good job, Mr. Bruno. Good story. And we thank you for your testimony.

When I was a kid, my father delivered milk for the Hood Milk Company. I didn't know what I wanted to be. And the Perry Mason show would come on, and Erle Stanley Gardner actually was from Waltham, MA. So I had a special interest in it because he was from my hometown. And every time you thought the show was done and the case was closed and Perry couldn't win, Della Street would show up to say the show is not over yet, Perry; I have some new information that can help us before we hit the hour and we move on to the next show. And that always made it kind of very interesting because you thought the whole thing was done.

And we thought this whole hearing was done, but Mr. Engel has now showed up. And Mr. Engel has all new information that, by being recognized here for 5 minutes, will make it possible to put a spotlight and illuminate a key area.

So the Chair recognizes the gentleman from New York, Mr. Engel.

Mr. ENGEL. Thank you, Mr. Chairman.

With an introduction like that, I better quit when I am ahead and say that I will submit my questions. And I want to thank all the gentleman for their testimony. Unfortunately, I have been in and out because I have a lot of conflicts. But, obviously, this is an issue that is very, very important to us and to America; and I thank you all for your testimony.

And I will submit the questions, Mr. Chairman. You intimidated me.

Mr. MARKEY. No, no. I don't mean to do that. In fact, if I think about it, I don't think we ever heard Della Street speak. She used to whisper to Perry. So we will submit the questions.

Mr. ENGEL. As long as you don't make fun of my New York accent, we are fine.

Mr. MARKEY. Yes, we hate people with funny accents from where I come from.

Mr. ENGEL. The Yankees next year.

Mr. MARKEY. It is Red Sox domination now. It is a whole new word we have.

So we very much appreciate all of your help in moving this forward. We are anticipating a tsunami of congressional interest in this subject as we hit the beginning of next year. As Members are asking questions about it, we become digital transition ombudsmen out on the House floor. And the fewer questions we get is the happier we are going to be. So to the extent to which all of you working together can help to ease this transition, it would be greatly appreciated.

This has been an excellent hearing. It is now adjourned. Thank you.

[Whereupon, at 1:00 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

HENRY A. WAXMAN, CALIFORNIA
EDWARD J. MARKEY, MASSACHUSETTS
RICK BOUCHER, VIRGINIA
EDOLPHUS TOWNS, NEW YORK
FRANK PALLONE, JR., NEW JERSEY
BART GORDON, TENNESSEE
BOBBY L. RUSH, ILLINOIS
ANNA G. ESHOO, CALIFORNIA
BART STUPAK, MICHIGAN
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DENNIS B. FITZGIBBONS, CHIEF OF STAFF
GREGG A. ROTHSCHILD, CHIEF COUNSEL

ONE HUNDRED TENTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515–6115

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TIM MURPHY, PENNSYLVANIA
MICHAEL C. BURGESS, TEXAS
MARSHA BLACKBURN, TENNESSEE

November 19, 2007

Mr. Jonathan Abbott
President and CEO
WGBH
1 Guest Street
Boston, MA 02135

Dear Mr. Abbott:

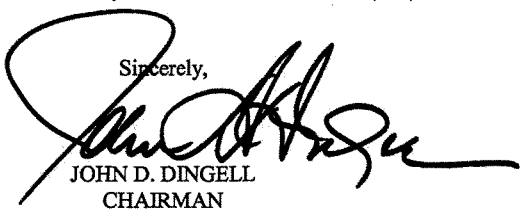
Thank you for appearing before the Subcommittee on Telecommunications and the Internet on Wednesday, October 31, 2007, at the hearing entitled "Status of the DTV Transition - Part 3." We appreciate the time and effort you gave as a witness before the Subcommittee.

Under the Rules of the Committee on Energy and Commerce, the hearing record remains open to permit Members to submit additional questions to the witnesses. Attached are questions directed to you from certain Members of the Committee. In preparing your answers to these questions, please address your response to the Members who have submitted the questions and include the text of the Member's question along with your response.

To facilitate the printing of the hearing record, your responses to these questions should be received no later than the close of business **Monday, December 3, 2007**. Your written responses should be delivered to **316 Ford House Office Building** and faxed to **202-225-5288** to the attention of Philip Murphy, Staff Assistant. An electronic version of your response should also be sent by e-mail to Mr. Murphy at **phil.murphy@mail.house.gov** in a single Word formatted document.

Thank you for your prompt attention to this request. If you need additional information or have other questions, please contact Amy Levine, Senior Counsel, at (202) 226-2424.

Sincerely,



JOHN D. DINGELL
CHAIRMAN

Attachment

cc: The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

The Honorable Edward J. Markey, Chairman
Subcommittee on Telecommunications and the Internet

The Honorable Fred Upton, Ranking Member
Subcommittee on Telecommunications and the Internet

The Honorable Hilda L. Solis, Member
Subcommittee on Telecommunications and the Internet

November 30, 2007

The Honorable John Dingell
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515
(hard copy sent via fax)

Dear Chairman Dingell:

I am pleased to respond to the question you shared with me from Representative Hilda Solis following my testimony about the DTV transition before the Committee on Energy and Commerce Subcommittee on Telecommunications and the Internet.

All of us in public broadcasting share a concern about low-income communities, non-English-speaking communities, and communities of color, who would undoubtedly be among those most adversely affected by a nationwide shut-off of analog television service.

Because of our educational mission to reach underserved populations through both broadcast and direct outreach, we at WGBH and the 350 public TV stations around the country are committed to addressing the needs of these groups through the many local and national activities we have in place. We have established deep-rooted ties to the many local institutions, organizations, advocacy groups and service providers that directly communicate and work with these constituents. We will reach out to them as part of our comprehensive education and information efforts, with materials in Spanish as well as English. In addition, WGBH is taking a lead in addressing the needs of the deaf and blind community, many of whom are seniors.

On air, because of public TV's unparalleled universal broadcast coverage (99 percent of American households in analog and currently 95 percent in digital), our messages will have broad reach. Public broadcasting has been at the forefront of creating educational programming for Spanish-speaking viewers, as is demonstrated by the recent debut of V-Me, the first national Spanish-language network presented by public television stations. Through this service, local public television stations are well situated to assist in disseminating information concerning the DTV transition.

WGBH will participate with PBS stations nationwide in the awareness campaign to educate communities about the transition. A major component is airing multiple DTV Action Spots across daytime, primetime and weekend time periods. Over the course of the campaign this equals more than 3 billion broadcast impressions educating viewers. In our other outreach efforts beyond broadcast, WGBH and other stations will incorporate numerous tools including our printed program guides, our Web sites, and special mailings. The value of our combined airtime and other resources exceeds $50 million.

But as I mentioned in my testimony before the Committee, we can't do it alone. More resources are necessary to reach these underserved audiences and to make this transition a success. As you know, our industry has called for a minimum Congressional investment of $20 million so that public television stations can leverage local partnerships to conduct meaningful outreach to these most vulnerable populations. The Association of Public Television Stations (APTS), our industry representative in Washington, has already formed partnerships with many of the groups best suited to reach such populations, including the Leadership Conference on Civil Rights, a national umbrella group consisting of over 192 organizations representing persons of color and other minority populations, as well as the American Library Association. With additional resources,

stations could leverage these national partnerships with local affiliates to best tailor messages towards low-income and non-English speaking populations.

We look forward to working with our public broadcasting colleagues across the country to ensure that our most vulnerable citizens are included in all our efforts as we prepare for the digital transition.

I hope this provides the information you are seeking. I appreciate the opportunity to address the role of WGBH and our fellow public stations in the transition. I would be pleased to have further communication with you about this critical issue.

With best regards,

Jonathan C. Abbott
President and CEO

HENRY A. WAXMAN, CALIFORNIA
EDWARD J. MARKEY, MASSACHUSETTS
RICK BOUCHER, VIRGINIA
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ONE HUNDRED TENTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515–6115

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JOHN SULLIVAN, OKLAHOMA
TIM MURPHY, PENNSYLVANIA
MICHAEL C. BURGESS, TEXAS
MARSHA BLACKBURN, TENNESSEE

November 19, 2007

Mr. Michael Vitelli
Senior Vice President and General Manager
Home Solutions Operating Group
Best Buy Co., Inc
7601 Penn Avenue South
Richfield, MN 55423-3645

Dear Mr. Vitelli:

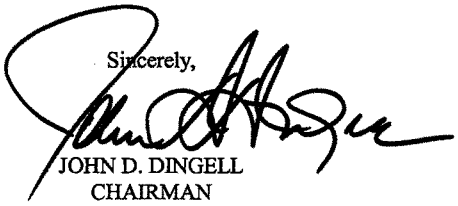
Thank you for appearing before the Subcommittee on Telecommunications and the Internet on Wednesday, October 31, 2007, at the hearing entitled "Status of the DTV Transition - Part 3." We appreciate the time and effort you gave as a witness before the Subcommittee.

Under the Rules of the Committee on Energy and Commerce, the hearing record remains open to permit Members to submit additional questions to the witnesses. Attached are questions directed to you from certain Members of the Committee. In preparing your answers to these questions, please address your response to the Members who have submitted the questions and include the text of the Member's question along with your response. In the event you have been asked questions from more than one Member of the Committee, please begin the responses to each Member on a new page.

To facilitate the printing of the hearing record, your responses to these questions should be received no later than the close of business **Monday, December 3, 2007**. Your written responses should be delivered to **316 Ford House Office Building** and faxed to **202-225-5288** to the attention of Philip Murphy, Staff Assistant. An electronic version of your response should also be sent by e-mail to Mr. Murphy at **phil.murphy@mail.house.gov** in a single Word formatted document.

Thank you for your prompt attention to this request. If you need additional information or have other questions, please contact Amy Levine, Senior Counsel, at (202) 226-2424.

Sincerely,



JOHN D. DINGELL
CHAIRMAN

Attachment

cc: The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

The Honorable Edward J. Markey, Chairman
Subcommittee on Telecommunications and the Internet

The Honorable Fred Upton, Ranking Member
Subcommittee on Telecommunications and the Internet

The Honorable Lois Capps, Member
Subcommittee on Telecommunications and the Internet

The Honorable Hilda L. Solis, Member
Subcommittee on Telecommunications and the Internet

Before the
Subcommittee on Telecommunications and the Internet
House Energy and Commerce Committee

Status of the Digital Television Transition Part III

October 31, 2007

Michael Vitelli Answers To
Written Questions from Subcommittee Members
December 3, 2007

From The Honorable Lois Capps

1. As part of your sales associate training program, would Best Buy consider implementing a system that rewards sales associates for recommending converter boxes to customers as their best cost-savings option?

Best Buy does not compensate sales associates on a commissioned basis. In any event, as "CECBs" become available, Best Buy's approach to sales associate training, as well as to consumer education, will be to advise, as NTIA will in its own Coupon Application, that consumers have three options with respect to existing "analog-only" TVs:

- Obtain a Coupon-Eligible Converter Box
- Attach the TV to a cable, satellite, or similar service received via subscription
- Buy a non-coupon-eligible product that has a digital TV tuner

Our sales associates are trained to identify and serve customer needs, desires, and preferences, based on their existing viewing conditions, without "pushing" any one solution on the customer. The goal of our training is to have the sales associate work with the customer to find the best solution for that particular customer. If a Coupon-Eligible Converter Box is that solution, based on the customer's *own* needs and desires, it will be the focus of the transaction. (But if, for example, all of the customer's home TVs are hooked up to cable and the customer does not plan to use an over-air antenna, he or she would have no use whatever for a Coupon-Eligible Converter Box. So this would not be the customer's best cost-savings option.)

2. Has Best Buy considered any other ideas that would encourage employees to sell converter boxes?

Best Buy will go to great pains to make its customers aware of the "CECB" option – Best Buy's own *Insignia* brand converter boxes will say COUPON ELIGIBLE CONVERTER BOX in large letters on the box itself, with a reference to the www.DTV.gov web site. Best Buy already prints a notice about the February 17, 2009 Transition date on the front of **all** of its register receipts. As our inventory is received in stores, our sales associates will be made specifically aware of the coupon-eligible products as an option for

consumers who rely on antennas, for any TV that is not already a digital TV. (By the end of this year, **more than 85 million digital TVs will have been sold** – so it cannot be assumed that all customers' existing TVs are "analog-only." Best Buy does not want to sell converter boxes to customers who do not need them.)

Related to other channels, beginning in February, the Geek Squad field agents will have an informational "leave behind" for in home service calls, educating consumers about the Feb. 2009 change and their options. They will be trained to answer questions about what options are best given a consumer's needs. In addition, we are solidifying our Call Center employee training to help consumers identify the solution best for their situation. This training will complement our plan **to sell converter boxes through our Call Center** – and more specifically, a **Best Buy DTV program "800" line**.

From The Honorable Hilda L. Solis

1. **Is your company providing consumer information in languages other than English?**

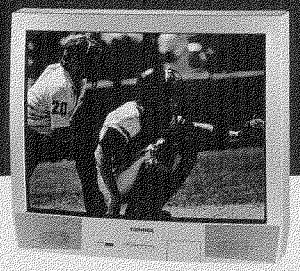
Yes. Best Buy has added to its in-store "video loop" an item re the DTV Transition; it is running in all stores in Spanish as well as English, on most of the TVs that are on display. Best Buy already has the attached pamphlet on aisle "end-caps" in its TV area; one side is in English and the other in Spanish. Material on BestBuy.com is bilingual as well.

2. **Are other retailers conducting outreach in multiple languages?**

We believe that several of our competitors are also making material available in languages other than English. Moreover, I attached to my testimony the Spanish version of the Consumer Electronics Retailers Coalition groundbreaking Guide to the DTV Transition; it is available at: http://www.ceretailers.org/CERC%20Consumer%20Guide%20-%20Spanish%20Version%20-%20072007.pdf.

Is your TV ready for digital?

What you need to know about the DTV Transition.



The digital change is coming February 17, 2009.

Ask a Customer Specialist or visit www.BestBuy.com/dtv to make sure you and your TV are ready.

En español al reverso

With the Best Buy™ pledge to make sure HD is "Done Right", we would like to help you understand what you need to know about the Digital TV (DTV) transition. Ask a Customer Specialist for more information or visit www.BestBuy.com/dtv.

Why is there a transition from use of the analog to digital broadcast signal?

After decades of study, Congress passed a law in late 2005 to transition from analog to digital broadcast signal on February 17, 2009. After that date, your local television broadcasters will broadcast exclusively digital television signals that can be received only by digital TVs or converters. The benefits of this change are:

1) Free up scarce and valuable transmission spectrum for public safety and wireless communication services.
2) Better picture and sound quality: Digital technology allows the transmission of pictures with higher resolution for dramatically better picture and sound quality than currently available.

Who will this affect?

Households with an analog TV (versus digital TV) who rely on Over-The-Air (OTA) broadcast using their TV antennas. OTA broadcast is any signal broadcast through air waves using a broadcast antenna.

How do I know if I have a digital TV?

The only televisions that have DTV tuners are those that, since about 1998, have been sold as having an integrated or "built-in" DTV or HDTV broadcast tuner. (An HD set sold as a "monitor" or "HD-ready" is capable of displaying HDTV but does not have a built-in HDTV tuner.) Most TVs with analog tuners are now required by the FCC to also be marketed with built-in or separate DTV or HDTV tuners – this will soon be a requirement for all TVs. This means that the TVs you see nowadays in stores will be DTV or HDTV "built-in" products. Be sure to check, however, just in case one is not.

How can I ensure TV viewing pleasure on my analog TV after February 17, 2009?

You will need to consider one of the following options:

1) Purchase a digital-to-analog converter box that plugs in to an existing television. The boxes, which are expected to cost between $50-$70 will be available for purchase in 2008. Beginning on January 1, 2008, U.S. households can request up to 2 federal government coupons valued at $40 each. Each coupon can go toward the purchase of a single eligible converter box that will allow you to continue watching free "over-the-air" television on an analog set.
2) Subscribe to a cable, satellite or telecommunications service provider if all desired local broadcast stations are carried by that service.
3) Purchase a new television set with built in digital tuner and learn about recycling options for your analog TV at Best Buy.

Any of these steps will ensure that "over-the-air" television consumers will continue to receive programming.

I now subscribe to cable or satellite. Do I need to be concerned about losing a TV signal to my TVs that are hooked up to these services?

No. Cable operators pick up most local broadcasts at a central location and send them to homes over cable; satellite services increasingly are able to do this as well. It is likely that most will continue to provide whatever free local broadcast programming they currently provide to you, even after there is this change in broadcasters' means of transmission.

For more information visit www.BestBuy.com/dtv, http://www.dtvtransition.org or http://dtv.gov.
Information provided by Consumer Electronics Retailers Coalition, April 2007 and Digital TV Transition Coalition.

¿Tienes tu TV preparada para el formato digital?

Qué es lo que debes saber sobre la Transición DTV.

El cambio digital estará aquí el 17 de Febrero, 2009.

Consulta con un Especialista de Atención al Cliente o visita www.BestBuy.com/dtv para asegurarte que tanto tú como tu TV están listos.

© 2007 Best Buy *English on reverse* 201-8127993

A través del compromiso de Best Buy™ para asegurarse de que la HD se "Realice Correctamente", deseamos ayudarte a comprender qué es lo que debes saber sobre la transición a la TV Digital (DTV). Para obtener mayor información, consulta con un Especialista de Atención al Cliente o visita www.BestBuy.com/dtv.

¿Por qué existe una transición del uso de la señal de transmisión análoga a la digital?

Luego de varias décadas de investigación, a fines del 2005 el Congreso aprobó una ley para realizar la transición de transmisiones análogas a digitales el 17 de febrero del año 2009. Luego de esa fecha, los difusores de televisión local transmitirán señales de televisión exclusivamente digitales, las cuales pueden ser recibidas únicamente por TV digitales o transformadores. Los beneficios de este cambio son las siguientes:

1) Liberar espectros de transmisión valiosos y escasos para la seguridad pública y los servicios de comunicaciones inalámbricas.
2) Obtener una mejor imagen y calidad de sonido: La tecnología digital permite la transmisión de imágenes con una mejor resolución para obtener una imagen y calidad de sonido drásticamente perfeccionadas en comparación a las que se encuentran actualmente disponibles.

¿A quiénes afectará el cambio?

A los hogares con TV análogas (a diferencia de TV digitales) que dependen de la transmisión de Aire (OTA por sus siglas en inglés) utilizando sus antenas de TV. La transmisión OTA es una señal de transmisión a través de ondas de aire y utilizando una antena de transmisión.

¿Cómo sé si tengo una TV digital?

Las únicas televisiones que cuentan con sintonizadores DTV son aquellas que, desde el año 1998, se han vendido afirmando que las mismas tienen un sintonizador de transmisión DTV o HDTV integrado. (Un equipo de HD vendido como "monitor" o "HD-listo" es capaz de mostrar HDTV pero no cuenta con un sintonizador HDTV integrado). Hoy en día, el FCC requiere que la mayoría de las TV con sintonizadores análogos también cuenten con sintonizadores DTV o HDTV integrados o separados; en poco tiempo esta será un requisito para todas las TV. Esto significa que las TV que actualmente se encuentran en las tiendas serán productos con DTV o HDTV integrados. Sin embargo, en caso de que una de estas TV no posean este sintonizador, asegúrate de verificarlo tú mismo.

¿Cómo puedo asegurar mi satisfacción como usuario en mi TV análoga luego del 17 de febrero, 2009?

Deberás considerar una de las siguientes opciones:

1) Comprar un transformador digital-análogo que pueda enchufarse a una televisión existente. Los transformadores estarán disponibles en el 2008 y se estima que los mismos costarán entre $50-$70. A partir del 1° de enero, 2008, los hogares de EE. UU. podrán solicitar hasta 2 vales del gobierno federal, los cuales tendrán un valor de $40 cada uno. Cada vale puede aplicarse en la compra de un transformador individual elegible, el cual te permitirá continuar disfrutando de la televisión "de aire" gratis en un equipo análogo.
2) Suscribirte a un proveedor de servicios de TV por cable, satelital o telecomunicaciones en el caso de que dicho servicio ofrezca todos los canales locales deseados.
3) Comprar un nuevo equipo de TV con un sintonizador digital incorporado y aprender en Best Buy sobre las opciones de reciclaje para tu TV análoga.

Cualquiera de estos pasos asegurarán que los consumidores de los servicios de televisión "de aire" continúen recibiendo su programación.

Ahora estoy suscripto a un servicio de cable o satelital. ¿Debo preocuparme por perder la recepción de una señal de TV que recibo en las TV que están conectadas a estos servicios?

No. Los operadores de cable reciben la mayoría de las transmisiones locales en una ubicación central y las envían a los hogares a través del cable; los crecientes servicios satelitales también son capaces de realizar esto. Probablemente, la mayoría continuarán brindando las programaciones de las transmisiones locales gratis que actualmente te ofrecen, aún luego de la implementación de este cambio en los medios de transmisión.

Para obtener mayor información, visita www.BestBuy.com/dtv, http://www.dtvtransition.org o http://dtv.gov. Información proporcionada por el Grupo de Ventas al Público de Productos de Electrónica para el Consumidor, abril 2007 y el Grupo de Transición a la TV Digital.

October 31, 2007 DTV Hearing
Telecommunications and the Internet Subcommittee

Congresswoman Solis,

Attached are the two additional questions with answers submitted by you to Univision. We thank you for allowing us to participate in the process and look forward to continuing our work together with you and your staff on this important matter.

Regards,

Bert Gomez
Vice President, Government Relations
Washington, DC

Before the
Subcommittee on Telecommunications and the Internet
House Energy and Commerce Committee

Status of the Digital Television Transition Part III

October 31, 2007

From The Honorable Hilda L. Solis

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