

**Testimony of Meredith Attwell Baker
Acting Assistant Secretary for Communications and Information
National Telecommunications and Information Administration
U.S. Department of Commerce**

Before the

**Subcommittee on Government Management, Organization,
and Procurement
House Committee on Oversight and Government Reform
U. S. House of Representatives Field Hearing in Brooklyn, NY
Hearing on the Digital Television Transition**

July 18, 2008

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to testify before you today. My name is Meredith Attwell Baker and I am the Acting Assistant Secretary and Acting Administrator of the National Telecommunications and Information Administration (NTIA).

NTIA is responsible for the development and implementation of U.S. policies related to domestic and international telecommunications, the effective use of Federal radio spectrum, and state-of-art telecommunications research, engineering, and planning.

NTIA also administers grants that provide support for the equipment needs of public broadcasting stations and public safety interoperable communications. NTIA's responsibilities expanded considerably with the enactment of the Deficit Reduction Act of 2005 ("Deficit Reduction Act" or "Act"). Specifically, the Act directed NTIA to administer over \$2 billion in new, one-time financial assistance programs using anticipated spectrum auction proceeds associated with the transition to digital television broadcasting. These programs include the Public Safety Interoperable Communications (PSIC) Grant Program, the NYC 9/11 Digital Transition Program, and the Digital-to-Analog Converter Box Coupon Program (Coupon Program), which is the subject of today's hearing.

My testimony today will focus on NTIA's activities to date with respect to the Digital-to-Analog Converter Box Coupon Program.

NTIA's Role in the Digital Television Transition

Title III of the Deficit Reduction Act, known as the "Digital Television Transition and Public Safety Act of 2005," directed the Federal Communications Commission (FCC) to require full-power television stations to cease analog broadcasting on February

17, 2009. To avoid unnecessary service disruptions for American television viewers during the conversion from analog to digital television broadcasting, the Act established and directed NTIA to administer a number of programs intended to bridge the gaps between the analog and digital platforms. The Digital-to-Analog Converter Box Coupon Program was enacted to accommodate consumers that wish to continue receiving broadcast programming over the air using analog-only televisions not connected to cable, satellite, or other multi-channel video programming service after the February 2009 transition.

TV Converter Box Coupon Program

Under the Digital-to-Analog Converter Box Converter Box Coupon Program, eligible U.S. households may 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. The Act authorizes NTIA to use up to \$990 million to carry out the program, including up to \$100 million for program administration, of which \$5 million can be used for consumer education. It also authorizes an additional \$510 million in contingent funding to be available upon 60 days advance notice to Congress, \$60 million of which may be used for program administration.

I am quite pleased with the progress with the Coupon Program to date. I will share with you the additional steps NTIA is taking to implement the Coupon Program, the agency's ongoing efforts to expand public education and outreach on the DTV transition and the Coupon Program, and challenges that we are addressing.

Coupon Program Statistics and Operations

Coupon Program operations include coupon distribution, converter box certification, retailer certification, coupon redemption and payment, and consumer education. Now in the seventh month of a 15 month program, we have made significant progress in each area of the program's operations.

NTIA successfully launched the Coupon Program on January 1, 2008. Since that time, consumers across the Nation have been ordering coupons through one of four convenient methods: via a toll-free number (1-888-DTV-2009), online at www.DTV2009.gov, by mail, or by fax. Throughout the past seven months, the level of consumer participation in the Coupon Program has been extremely high. As of July 16, 2008, NTIA has received requests from 10,920,249 households for 20,551,457 coupons, representing 77 percent of the initial base funding of \$890 million. Coupon requests continue to average approximately 104,000 per day. Over half of the requesting households (50.3 percent) identify themselves as reliant exclusively on over-the-air (OTA) broadcasts to receive their television programming.

NTIA is very pleased that our contractor, IBM, has eliminated the backlog of coupon requests that occurred with the significant volume of orders received in the first

few days of the Coupon Program. As of July 16, of the 20.5 million coupons requested, more than 19.1 million have been mailed to consumers. A coupon ordered today can be expected to be issued and mailed within 10 to 15 business days. NTIA continues to work closely with IBM to ensure that coupons are processed in a timely fashion.

As evidenced by the large number of coupons requested to date, the Program is very popular with consumers. As distributed but unredeemed coupons expire, funds otherwise obligated to those coupons will be returned to the Coupon Program. The Program has anticipated and budgeted for the distribution of additional coupons, beyond 33.5 million, toward which these returned funds would be re-obligated. The number and unit price of these coupons ultimately will determine the total administrative costs associated with the distribution of these additional coupons. NTIA is working closely with its contractor, IBM, to ensure that as many coupons as possible can be distributed.

Consumers who call the telephone line can speak with a live operator in English or in Spanish. The telephone line can accommodate requests in 150 languages. A special assistance line for the hearing-impaired also is available – in English and Spanish – and coupon application forms are available in Braille for the visually impaired. As of July 14th, 56.9 percent of the requests have been received through our Web site, 40.6 percent by telephone, and 2.5 percent by mail and fax. Approximately 88.2 percent of the household requests seek the maximum number of two coupons, each of which is worth \$40.

As of July 16, 2008, consumers have redeemed more than 6 million coupons toward the purchase of a coupon-eligible converter box (CECB). Coupon redemption rates are an important factor in calculating Coupon Program spending. Coupons are being redeemed at a rate of 44.4 percent.

NTIA is very pleased with the high level of participation in the Coupon Program by converter box manufacturers. As of July 16, NTIA has certified 112 converter boxes designed for the exclusive statutory purpose of enabling a consumer to view digital broadcast signals on an analog television.

NTIA is continuing to certify boxes and is expediting review of those that have the capability to pass-through the analog signals that will continue to be transmitted by many low-power and television translator stations after February 17, 2009. As of July 16, 2008, NTIA has certified 37 boxes with this “analog pass-through” capability. Manufacturers that have certified analog pass-through boxes include RCA, Craig, Philco, Magnavox, Memorex, Zenith, and others.

The response from America’s retailers has likewise been outstanding. As of July 16, 2008, there are 2,360 participating retailers in the Coupon Program, including seven of the largest consumer electronics retailers—Best Buy, Circuit City, Kmart, Radio Shack, Sears, Target and Wal-Mart—as well as hundreds of regional chains and small retailers. These retailers represent 26,512 participating outlets nationwide, including locations in all 50 states, American Samoa, Guam, Puerto Rico and the U.S. Virgin

Islands. Additionally, consumers can choose from among 26 online retailers and 13 telephone retailers. In short, consumers, even those in areas where the closest consumer electronics retailer is fifty or one hundred miles away, have ready access to coupon-eligible converter boxes. A list of all participating retail outlets, searchable by state and 5-digit zip code, can be found on www.DTV2009.gov under “Locate a Retailer Near You.”

At the request of many retailers, NTIA is making coupon request data available on a per state basis, as well as based on 3-digit and 5-digit zip code. NTIA and IBM have made employee training materials available to all participating retailers so that they will be ready to answer consumers’ questions about certified boxes and the use of the coupon for payment. Participating stores have completed certification in the Coupon Program, which includes certifying that their employees are trained, they have converter box inventory in their stores, and their systems are prepared to redeem coupons.

Wilmington, North Carolina Test Pilot Program

NTIA is participating with the Federal Communications Commission (FCC) in the September 8, 2008, “test pilot” switch to digital in the Designated Market Area (DMA) of Wilmington, North Carolina. NTIA has taken steps to monitor Coupon Program participation in the Wilmington area and to create materials appropriate for the test market. Special NTIA brochures and applications have been created showing September 8, 2008, as the transition date, and NTIA’s www.DTV2009.gov website has a page devoted to the Wilmington test, including frequently asked questions and collateral materials. NTIA staff have met with key stakeholders in Wilmington and have conducted many media interviews on television, in print and on the radio to alert over-the-air consumers not to wait to order their coupons. NTIA also is looking closely at the needs of nursing home residents and consumers receiving mail at Post Office Box in Wilmington post office (P.O.) boxes to assess their needs in this test market and to learn more about how to address these situations nationally. NTIA is working closely with the DTV Transition Coalition and other partners to coordinate and complement efforts in Wilmington.

As of July 16, 2008, NTIA has received requests for 46,345 coupons from 25,063 households in the Wilmington DMA. As of July 16, more than 41,000 coupons have been mailed to consumers in the Wilmington DMA and, of those, 12,414 have been redeemed for a converter box.

The NTIA Toolkit

NTIA has worked with IBM and Ketchum to develop a comprehensive toolkit of information to help organizations that are playing a critical role in educating their members, constituents and customers about the Coupon Program. The Toolkit consists of a set of materials, including fact sheets, a poster, a mailer, sample presentations and other materials that many organizations are now using to help educate their members. The Toolkit also contains specific tools and strategies that can be used by the media to

effectively deliver the Coupon Program message, and ideas and resources for informing consumers through community and in-store events or other activities.

The Toolkit also is an extremely useful resource for Members of Congress seeking to communicate to their constituents about the Coupon Program. Indeed, NTIA continues to work closely with many congressional offices, as well as the Committees of jurisdiction and the Congressional DTV Caucus, to brief staff and educate constituents about the Coupon Program, and to help prepare materials for local town hall meetings, franked mailings, and other outreach, including senior centers and other critical-to-reach groups. NTIA staff has helped to coordinate, and participated in, many Members' town hall meetings and "Tele-Town Hall Meetings," and similar local education events. NTIA has been invited and will be participating in multiple Congressional events in the coming months.

In addition to the collection of English and Spanish materials NTIA has available to partners, we are providing additional tools as needed that may assist in our partners' efforts. Specifically, we developed a screen saver for distribution to libraries across the country so computers not in use could display information about the transition; we provided the National Grange with step-by-step instructions on setting up information and application completion stations at state and county fairs; and we provided the Radio & TV News Directors Association a list of 12 items related to the transition and Coupon Program their members are using to discuss in radio and television broadcasts over the next 12 months.

On July 8, 2008, NTIA participated in "DTV Day," an event hosted by House Energy and Commerce Committee Chairman Dingell and Telecommunications and Internet Subcommittee Chairman Markey held in the Rayburn House Office Building Foyer. At this event, staff members had the opportunity to hear presentations about the transition and the Coupon Program from NTIA and the FCC, ask questions of government and industry representatives, and get information about how best to educate constituents about the DTV transition and the resources available to do so. NTIA has worked with these Chairmen in setting up a TV Converter Box Program demonstration table in the Rayburn cafeteria, providing Congressional staff with information about the Coupon Program and the digital television transition in a highly trafficked area of the House complex.

DTV Education Efforts

Consumer Education About the Coupon Program and the DTV Transition Is A Top Priority

Educating consumers about the Coupon Program is one of NTIA's – and the Commerce Department's – top priorities, and one in which both Commerce Secretary Gutierrez and I are regularly and actively engaged. In particular, a key message we are delivering to consumers is that while the analog cut-off date will occur on February 17,

2009, the time for consumers to experience the benefits of DTV is *now*. The time to order a coupon and purchase a converter box is *now*.

NTIA's consumer education campaign is focused on educating U.S. residents who receive OTA broadcasts on analog television sets about the digital transition and the Coupon Program. NTIA pays special attention to vulnerable audiences such as over-the-air senior, minority, disabled, low-income and rural households who are at a greater risk of losing all television service as a result of the digital transition.

NTIA is working with print, broadcast and electronic media, and engaging partners to disseminate information nationally, regionally and locally. To date, the Coupon Program has engaged 281 partners, many with ties to seniors, rural residents, lower-income persons, minorities, and disabled Americans. We are working with large institutions to get the word out about the Coupon Program, such as the AARP, the NAACP, the Leadership Conference on Civil Rights, Catholic Charities USA, Community Action Partnership, Goodwill Industries, the National Congress of American Indians, and the National Grange. NTIA is also working with local and regional community organizations, such as the Fort Worth Hispanic Chamber of Commerce, Utah Eldercare Planning Council and JobStarts, Inc. in California, to reach vulnerable populations most likely to be affected by the transition.

NTIA also is working with no fewer than 17 Federal departments and agencies with direct communications to vulnerable populations, including the U.S. Department of Agriculture (USDA), the Department of Health and Human Services' Administration on Aging, and the Department of Veterans Affairs. Just to highlight several ways in which we've partnered with other Federal agencies:

- NTIA provided 54,000 mail stuffers to the USDA Food and Nutrition Service, which will be sent to families eligible for and requesting information about the Food Stamp Program.
- NTIA partners with USDA's Rural Development (RD) Agency to host a Web-based training to educate RD employees across the county about the DTV transition and Coupon Program; more than 100 individuals participated in the training webinar.
- The Environmental Protection Agency's Aging Initiative included an article about the transition and the Coupon Program in their April 2008 newsletter that reaches approximately 4,000 individuals.
- The U.S. Department of Health and Human Services (HHS) - Administration for Children and Families - Office of Community Services distributed information about the transition and Coupon Program to 900 local social service agencies across the country.

- NTIA has communicated with the United States Postal Service to assess the feasibility of putting Coupon Program applications in all 32,000 post offices across the nation.

A complete list of NTIA's partners is included as an attachment to this statement.

NTIA's partners are responding in thoughtful and creative ways to spread the word to their constituencies about the DTV transition and the Coupon Program. We appreciate their tireless efforts. A good example is the 4-H arm of the USDA's Cooperative State Research Education and Extension Service (CSREES). Collegiate 4-H, the college student 4-H organization, selected the DTV transition as its 2008 National Service Project topic. There are Collegiate 4-H clubs on at least 95 college campuses in 42 states. During the year, each chapter must carry out at least one DTV project based on lesson-plan material developed by NTIA.

NTIA is in dialogue with a coalition of aging organizations that includes among others the Administration on Aging, the AARP, the National Association of Area Agencies on Aging, who are exploring ways to assist our most vulnerable seniors with the Coupon Program. We conducted a senior focused train-the-trainer Webinar on February 26, 2008. Representatives from 12 senior organizations totaling nearly 200 individuals from 25 states participated—but more importantly, the information gained has led to on-the-ground outreach. For example, the West Alabama Area Agency on Aging has already trained 28 Senior Center directors and coordinators, seven case managers and 20 staff from local Area Agencies on Aging across the state so they can talk with older Americans about the Coupon Program. The Uniontown, Ohio Area Agency on Aging is distributing 4,000 information sheets and 1,500 coupon applications to local clients through recently trained case managers.

NTIA is sensitive to concerns raised by these groups regarding the need by many seniors for technical assistance with their converter box. NTIA has worked with the Consumer Electronics Association to produce a generic "Quick Start Guide" and installation video, both of which are available at www.DigitalTips.org and linked to www.DTV2009.gov. Additionally, NTIA worked with reporters from *The Washington Post* to tape an instructional video on converter box installation, which can be found on the Washingtonpost.com website.

Similarly, we are working with groups that assist persons with disabilities to raise awareness of the Coupon Program. For example, NTIA participated in the Hearing Loss Association of America's (HLAA) convention in Reno, Nevada, last month, as well as the American Council of the Blind's annual event over the Fourth of July weekend in Louisville, Kentucky. At the HLAA event, we partnered with the Consumer Electronics Association to demonstrate the captioning features of converter boxes. We are proud of the fact that the Coupon Program is 100 percent accessible for persons with disabilities. For example, our TTY number is available in English as well as Spanish for the hearing impaired. In addition to making the Coupon Program application available in Braille, the

actual coupon card is embossed with a unique 16-digit number sequence so visually impaired individuals can distinguish it from a credit card mail offer.

NTIA is keenly aware of the need to reach out to communities in which English may not be the primary language. Official Coupon Program information is being made available in numerous languages – Spanish, French, Chinese, Vietnamese, Tagalog and Russian. As a result of feedback from our partners, we have just translated some of our materials, including the coupon application, into Korean, Cambodian, Traditional Chinese, Hmong and Laotian. On May 6, 2008, NTIA participated in a Congressional “Tri-Caucus” briefing sponsored by Representative Hilda Solis, which focused on the needs of African-Americans, Hispanic Americans, and Asian Pacific Americans.

Also, last month, NTIA participated in an event in San Francisco as part of Asian Pacific American Heritage Month in which KTSF, an Asian-language commercial broadcaster in the Bay Area, and the California Public Utilities Commission brought together around 100 leaders in the Asian American community to raise Coupon Program awareness, especially among primary Chinese and Korean speakers. The event not only ignited outreach efforts to reach the Asian community, it also immediately resulted in coverage of the issue in publications that directly reach this community including Korea Daily, Philippine News and World Journal. Additionally, the toll-free National Multilingual Helpline of the National Asian Pacific Center on Aging in Seattle, Washington is assisting elderly Asian Pacific Americans with information about the upcoming transition in at least four Asian languages.

Secretary Gutierrez has taken a special interest in reaching out to Hispanic populations. For example, in December 2007, he was featured in the first of a series of public service programs entitled, “TV Digital...¿Que Tal?” which aired throughout the United States and Puerto Rico on the Spanish-language Univision Television Network. More recently, he also conducted interviews with outlets that specifically reach Hispanic populations, including La Voz, CNN en Espanol Radio, Univision, La Opinion, Washington Hispanic and El Tiempo Latino. HHS Assistant Secretary of Aging, Josefina G. Carbonell, is reaching out through targeted press across the country to inform elderly Hispanic Americans and their families of the DTV transition.

NTIA Consumer Education Activities in New York City

NTIA is working through the media and with national and local partners to ensure New Yorkers, are aware of the Coupon Program and have the opportunity to participate if they choose to do so. Since the Coupon Program launched on January 1, a total of 50 stories that include information about the Coupon Program have run in print or on television in the New York City DMA. That coverage includes two media outlets that are targeted to the African American community and four outlets with a primarily Hispanic audience. In addition, nationally we are working with organizations like the American Library Association, the NAACP, and PBS, including WNET, to ensure information is available to consumers outside of the media environment, and locally with the Harlem Consumer Education Council with whom we will conduct a community event in mid-to-

late September providing New Yorkers who have not completed an application the opportunity and assistance to do so.

Our efforts will continue through the transition, but indications are New Yorkers are hearing the message. As of July 13, over 717,000 coupons have been requested by consumers in the New York DMA and over 164,000 have been redeemed. Request rates rank third among all DMA's, which is significant given the relatively low number of over-the-air households. According to Nielsen's May 2008 report "Overview of the Digital Readiness of U.S. Households and Analysis of Viewing to Unready Sets," for example, the New York DMA is one of ten cities with the least number of Completely Unready Households – fewer than 4 percent of households in New York contained only unready sets (a television set not capable of receiving digital broadcast television signals).

Consumer Awareness about the DTV Transition and the Coupon Program Is Growing

It is clear that these consumer education efforts are succeeding. The coupon application numbers speak for themselves. Multiple consumer surveys also bear this out: a survey released by the Association of Public Television Stations in March 2008 showed a 50 percent jump in consumer awareness about the DTV transition between November 2007 (51 percent) and March 2008 (76 percent). Similarly, a Consumer Electronics Association survey released in January 2008 revealed a 74 percent consumer awareness about the transition. In late May 2008, Nielsen Media Research released a new study analyzing the "digital readiness" of U.S. households. NTIA will be reviewing this data carefully to see what mid-course corrections in our outreach may be needed to reach key markets with large percentages of what Nielsen identifies as "completely unready" households—that is, those households that would lose their television service completely after February 17, 2009, unless they take some action.

The Government Accountability Office (GAO) also conducted a consumer survey in late March and early April 2008. In testimony before the House Telecommunications and Internet Subcommittee last month, GAO reported that 84 percent of the public has heard about the transition based on their survey, and that those considered to be at "high risk" – households viewing over the air television – had an even higher level of awareness. GAO also testified that over half the population has heard about the Coupon Program.

Working with the communications contractor, Ketchum, NTIA continues to respond to media requests and inquiries concerning the Coupon Program. As such, the Coupon Program has garnered significant coverage in print publications, on the radio and on television. NTIA has tracked this coverage and the resulting media impressions regarding the Coupon Program since September 10, 2007. The following chart shows the cumulative number of print circulation, online unique visits and broadcast impressions through June 30, 2008:

Period	Print Circulation	Online Unique Visits	Broadcast Impressions
As of January 31, 2008	55,287,903	790,968,896	61,930,084
As of February 29, 2008	86,704,470	1,461,800,861	77,976,320
As of March 31, 2008	101,948,865	1,831,462,304	97,279,716
As of April 30, 2008	133,133,069	2,475,646,251	133,325,921
As of May 31, 2008	149,212,817	2,738,704,788	176,597,605
As of June 30, 2008	162,552,550	2,951,814,191	242,916,367

The print and broadcast media coverage of the Coupon Program has reached almost every DMA in the United States, most of them multiple times. Importantly, 40 of the 45 DMAs with the greatest concentration of OTA households and at-risk populations have seen more than 10 media stories per market on the DTV transition and Coupon Program appearing in local print or broadcast media outlets. It is important to underscore that these impressions are in addition to the “action spots” and public service announcements being run by the Nation’s local broadcasters and cable operators. According to the National Association of Broadcasters (NAB), its digital transition campaign will lead to every household seeing, hearing, or otherwise being exposed to DTV transition-related messages approximately 642 times before the transition date.

Now that NTIA has data on Coupon Program requests by DMA, the Agency is able to fine tune its consumer education, reaching out to the media to raise awareness in markets where Program participation is unexpectedly low. For example, NTIA has recently been successful in Anchorage, Alaska, where we were on the Alaska Public Radio network live; and in Honolulu, Hawaii, where we conducted a radio interview and placed an Op-Ed from Secretary Gutierrez in *The Hawaii Reporter*. Last month, moreover, NTIA staff conducted 48 media interviews, including outlets such as Tillamook Headlight Herald (Portland, OR), Las Cruces Bulletin (Las Cruces, NM), Georgia Public Broadcasting (Atlanta, GA), KGAK-AM (Albuquerque, NM), KYYK-FM (Dallas, TX), KOKI-TV (Tulsa, OK) and Native American Times that targeted high OTA markets and key demographic populations.

One of the keys to the success of the Coupon Program is its voluntary nature, which has fostered strong public-private partnerships. NTIA is very impressed by the willingness of the stakeholder industry groups to work together to make the transition a success. The industries most directly affected by the transition – especially broadcasters and cable operators – have initiated significant educational efforts with real financial commitments to ensure that no household is caught unprepared on February 18, 2009.

Both broadcasters and cable operators continue to include information about the Coupon Program in their on-air announcements, which we believe to be a significant factor in the continued high number of coupon requests. The DTV Coalition is also making great strides in educating the American public about their options for making the transition. We applaud those efforts.

Waste, Fraud, and Abuse

NTIA and its contractor, IBM, have incorporated protections against waste, fraud, and abuse (WFA) throughout the coupon processing system. In the Final Rule, for example, NTIA limited retailer participation to those willing to become certified. This requires that each retailer is registered in the Central Contractor Registry and have at least one year experience in consumer electronics retail sales. Retailers are also required to (a) have systems in place that are capable of electronically processing coupons for redemption and payment, tracking each and every transaction, and generating reports that are easily auditable; (b) agree to have coupon box sales audited at any time during the term of participation in the program; (c) train employees on the purpose and operation of the Coupon Program (d) report suspicious patterns of customer behavior; (e) provide transaction reports (redemption information and payment receipts) related to coupons used in the purchase of converter boxes, specifically tracking each uniquely numbered coupon with a corresponding coupon-eligible-converter box purchase; (f) maintain transaction records for at least one year, and (g) agree only to accept coupons for, and receive payment resulting from authorized purchases made for coupon-eligible converter box.

In NTIA's request for proposals, the Coupon Program identified several security requirements for prospective contractors such as designing a coupon that would not be easily counterfeited. In addition, NTIA worked with its accounting and finance office, National Institute of Standards and Technology, and the U.S. Treasury to prevent the opportunities for WFA as the agencies designed the coupon redemption and payment system. NTIA's staff and contractor staff (including IBM's subcontractors who are assigned to work on the Coupon Program) are required to undergo a set of background checks as required by the U.S. Government. Also, a set of system and employee security measures have been put in place pursuant to IBM's Certification and Accreditation (C & A) packages that have been prepared for each of the IBM systems.

In addition, NTIA oversees its contractor's WFA activities as defined in the IBM Quality Monitoring and Control Plan and IBM Audit Plans. These comprehensive plans and procedures include controls and tests in the areas of retailer certification, coupon ordering, coupon distribution, coupon redemption and payment, and financial management. The goal is to prevent and detect internal, consumer, and retailer fraud appropriately. Risks are evaluated and controls (either preventive or detective) are designed to minimize WFA in each of the system processes. Some of the highlights of the IBM Plan include:

Retailer Certification: To validate that the retailer is a legitimate business and that it meets the requirements of the Final Rule. Controls include automated and manual review of retailer applications and certifications; investigating reports of inappropriate retailer behavior; and retailer education and training as a preventive control.

Coupon Application: To ensure the correct distribution of coupons according to the requirements of the Final Rule (e.g., maximum of two per household, contingent funding for over-the-air reliant, and no replacement coupons.) Controls include automated review of coupon applications against the U.S. Postal Service CASS registry, an external database of residential and business delivery addresses, to determine if the address provided is a valid residential address, followed by a check against previous coupon requests to prevent issuance of coupons to duplicated household addresses. Manual controls are also used to ensure proper application of the general rule limiting the use of P.O. boxes except in certain circumstances.

Coupon Distribution: To ensure that WFA does not occur through the theft of coupon card data or the cards themselves. Access to coupon data and the cards has been controlled and meets U.S. Government security standards and automated and manual controls are in place to prevent the harvest of coupon data or physical coupons. The coupon design includes security controls such as a unique number generation process, a security hologram to prevent counterfeiting, and the use of CVV2 (a security feature used by credit and debit services to increase fraud protection).

Coupon Redemption and Payment: To validate that coupons are used only for valid coupon eligible converter boxes (CECBs) at participating retailers, using valid coupons. In addition to retailer certification requirements and controls above, the payment system includes controls that employ an automated card authorization system provided by a major financial card processing system, daily system checks against retailer certification status, coupon status, and valid UPC/SKU (only CECBs are being purchased.) Other controls validate that payment files being transferred to the U.S. Government are not corrupted.

Financial Management: To assess risks and implement controls encompassing the entire system, across multiple companies and interfaces. Redundant processes and system checks have been implemented to prevent problems and identify issues with financial tracking. Financial transactions are reconciled, i.e., the number of requested coupons, ordered coupons, redeemed coupons, along with de-obligated status coupons, lost/stolen coupons, and expired coupons are reconciled with total values to assure proper accounting.

Pursuant to the Final Rule, NTIA may revoke retailer certification if a retailer fails to comply with the regulations, with the terms of the agreement made between retailers and IBM's retail management team, or for other actions inconsistent with the Coupon Program. The Coupon Program has decertified 12 for noncompliance with the Rules. In most of these cases, the retailer redeemed coupons without being able to deliver a coupon-eligible converter box. For example, certain retailers took coupons from

consumers even though the advertised converter box was not available for several months. These circumstances constitute inappropriate use of federal funds and are unfair to consumers. By cancelling a consumer's coupon or creating the impression that a consumer has used a coupon with a particular retailer prevents a consumer from going elsewhere when a retailer does not have an available converter and is also at variance with the Coupon Program rules. In another case, the retailer was completely unable to fulfill orders when the manufacturer changed plans and decided not to produce the converter box that had been selected by more than 100 consumers. The consumers were very unhappy about the retailer's failure to deliver as promised. The Coupon Program has worked with decertified retailers to recover the public funds improperly paid to the retailer and to address consumers' complaints.

Secret Shoppers are also used by IBM's retailer management team. Secret Shoppers visited 585 randomly-selected Participating Store Locations between March 18 and April 30, 2008, to assess and improve retailer readiness. Visits were made to 309 retailers that have single store locations participating in the Coupon Program, which represented 30 percent of single-store participating store locations. Another 276 visits were made to retailers with multiple store locations in the Coupon Program, which represented 2 percent of multi-store participating store locations and includes national consumer electronic chains. Single-store retailers were emphasized in the selection due to the higher potential for waste, fraud and abuse.

The anonymous visits checked on sales associates' understanding of the Coupon Program and how it works, ranging from knowledge about Coupon Eligible Converter Boxes to how coupons are redeemed and how returns are handled.

Findings indicated a fairly high level of overall knowledge about the Coupon Program, with scores of 90 percent or more for sales associates knowing the transition date, being able to explain when a converter box is needed, and understanding that coupons may not be combined for a single converter.

New York City and the Digital Television Transition

Metropolitan Television Alliance

Section 3007 of the Deficit Reduction Act of 2005 provides up to \$30 million to reimburse the Metropolitan Television Alliance for costs incurred in the design and deployment of a temporary digital television broadcast system to ensure that, until a permanent facility atop the Freedom Tower is constructed, the members of the Metropolitan Television Alliance can provide the New York City area with an adequate digital television signal as determined by the Federal Communications Commission.

The Metropolitan Television Alliance (MTVA) is a consortium of New York City television stations with 10 stations participating in the grant project for a digital distributed transmission system (DTS) throughout the New York City area. The New York City area for this project includes the New York counties of Bronx, Kings, New York, Queens, and

Richmond; and the New Jersey counties of Bergen, Essex, Union, and Hudson. MTVA was formed after September 11, 2001, when the television stations' digital and analog transmission facilities were destroyed in the collapse of the North Tower of the World Trade Center. The television stations then installed temporary digital and analog transmission facilities on top of the Empire State Building, which is not a sufficiently suitable site for the distribution of digital television signals.

On March 22, 2007, NTIA awarded \$7,855,000 as a grant by reimbursement to MTVA for Phase 1 – the Prototype of the distributed transmission system (DTS) – of the grant project. Phase 1, which was completed on June 10, 2008, designed and tested the Prototype system in Brooklyn, NY, and included four distributed transmission sites, 109 outdoor measurement sites, and 23 indoor measurement sites. MTVA prepared a report on the testing and measurement results of the Prototype system, “Field Test Results of the New York City Prototype Distributed Transmission System” and submitted the report to NTIA earlier this month.

NTIA has begun the review of the Prototype system report, and MTVA is now preparing a request for approval to receive \$21,645,000 by reimbursement to proceed with Phase 2 of the project. Phase 2 will enable MTVA to complete a full 20-site distributed transmission system in the New York City area in preparation for the digital television transition deadline of February 17, 2009, and for operation of the DTS until the installation of permanent digital antennas on top of the Freedom Tower in approximately 2013.

The full grant by reimbursement for the complete DTS, if the Phase 2 amount is awarded through a cost amendment, is \$29,500,000. The DTS is intended to provide adequate digital television signals in the New York City area on a temporary basis, and the results of conducting the testing and measurement of the system and its outdoor and indoor sites will also be beneficial in serving as a model or as a potentially applicable system for similar urban settings.

NTIA looks forward to working with MTVA on this very important project.

Challenges

As with any new program as large, complex and time bound as the Coupon Program, challenges continually arise. NTIA currently faces several such challenges and is working diligently to address them quickly and in a manner that serves the best interests of the American people.

Eligibility of Nursing Home Residents and Persons Utilizing a P.O. Box

One such challenge involves the eligibility of residents of nursing homes and other senior care facilities, as well as persons receiving mail at a P.O. box. Under its existing rules, residents of nursing homes and other senior care facilities are not eligible to receive coupons if they do not have a separate U.S. Postal Service mailing address. On April 24, 2008, NTIA released a Notice of Proposed Rulemaking (NPRM) in which the agency proposed to waive the “eligible household” and application requirements for

individuals residing in nursing homes or other senior-care facilities, subject to certain alternative application requirements.

The Agency also proposed to permit an otherwise eligible household that utilizes a P.O. box for mail receipt to apply for and receive coupons subject to providing satisfactory proof of physical residence, as specified in the proposed rule.

NTIA is reviewing the comments we have received and hope to issue a final rule as expeditiously as possible.

Coupon Delivery Delays

Although the backlog of coupons has been eliminated, NTIA believes that maintaining timely distribution of coupons will remain a challenge. This challenge may become particularly acute if coupon demand rises in the weeks immediately preceding the February 17, 2009 cutoff date. Delivery time is affected by two factors: IBM's coupon creation and activation capacity and the time required for postal delivery. Currently, IBM has increased its production capability beyond what it had originally envisioned. NTIA continues to work closely with our contractor to ensure that coupon requests will be handled timely especially in the crucial last 100 days of the Coupon Program.

The Coupon Program is required by statute to deliver coupons using the U.S. Postal Service. To keep administrative costs down, coupons are mailed by Standard Class, as opposed to the more costly First Class service. Given the statutory three-month expiration date of each coupon and the resulting importance of timely delivery, NTIA is reaching out to the U.S. Postal Service to request that coupon mailings be given priority attention.

Meeting the Needs of Viewers of Class A, Low Power and TV Translator Stations

NTIA, like Congress, is focused on meeting the needs of viewers of Class A, low-power television and television translator stations. Class A, low-power stations are not subject to the February 17, 2009, analog broadcasting cutoff deadline, and viewers of these stations who wish to continue receiving analog broadcasts as well as the new digital signals after that date may choose to get a converter box that includes an analog signal pass-through feature, or may choose to use a two-way splitter. As discussed earlier, NTIA currently has certified 35 boxes with an analog pass-through capability. NTIA highlights boxes with the analog pass-through feature on the Coupon Program's website and in consumer mailings with the coupons. In addition, NTIA has sent helpful information to operators of Class A, low-power television and television translator stations so that they can inform their viewers of the options they have regarding the digital transition. Congress set aside a total of \$75 million in auction proceeds to fund two grant programs that will assist eligible Class A, low-power television, and television translator stations to make the transition as quickly and smoothly as possible. The Low-Power Television and Translator Digital-to-Analog Conversion Program will provide

\$1,000 to eligible low-power stations that must purchase a digital-to-analog conversion device to convert the incoming digital signal of a full-power television station to analog for transmission on the low-power station's analog channel. To date, 513 grants have been awarded under this program. Applications will be accepted until February 17, 2009.

Stations that operate at less than full power will eventually convert to digital broadcasts. The Low-Power Television and Television Translator Upgrade Program established by Congress directs NTIA to assist this effort through a program that provides \$65 million for necessary equipment upgrades to stations in eligible rural communities. To implement this program in a timely manner, a technical correction to the program authorization is required to permit the agency to begin making funds available during Fiscal Year 2009. On July 9, 2008, the House of Representatives passed S. 2607, a bill that would make the necessary technical correction to the Program. NTIA looks forward to working with Congress on the successful implementation of the Low-Power Television and Television Translator Upgrade Program.

NTIA will continue to work with the FCC, industry and the broadcast community to assist low-power television stations and their viewers during the transition to digital broadcasting.

Waste, Fraud and Abuse

NTIA remains vigilant in monitoring for waste, fraud and abuse across all components of the project. The agency also meets regularly with the Inspector General, the Government Accountability Office (GAO) and Department of Commerce auditors to monitor all aspects of the program from coupon request to retailer payment.

To date, no egregious instances of waste, fraud and abuse have been discovered. However, several retailers have been decertified from the program for a variety of violations of program rules. In these cases, NTIA has taken swift action to the extent possible to ensure that retailers remedy any adverse effects suffered by consumers. While the number of decertified retailers is only a very small percentage of the 2,341 actively participating retailers, these instances remind us of the importance of guarding against WFA. NTIA worked closely with the Federal Trade Commission and the FCC to develop a "Consumer Alert" tip sheet, released last month, to provide consumers with information on how to identify and avoid possible coupon abuses. A copy of the FTC Tip Sheet is attached.

We are pleased with the progress that has been made in the first six months of the Coupon Program and we are confident our continued, combined and cooperative efforts with our partners in private industry and the public sector will only add to this success to the benefit of all Americans, as well as other stakeholders such as public safety entities.

Thank you again for this opportunity to testify before you today. I will be happy to answer your questions.