Before the National Telecommunications and Information Administration Washington, D.C. 20554

| In the Matter of |) | |
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| |) | |
| Implementation and Administration of a Coupon |) | Docket No. 060512129-6129-01 |
| Program for Digital-to-Analog Converter |) | |
| Boxes |) | RIN 0660-AA16 |
| |) | |

Comments Of RadioShack Corporation

RadioShack respectfully responds to NTIA's Request for Comment and Notice of Proposed Rules to Implement and Administer a Coupon Program for Digital-to-Analog Converter Boxes ("NPRM"). As both a major consumer electronics retailer and manufacturer, RadioShack is uniquely positioned to comment on all aspects of NTIA's proposed regulation to implement the consumer coupon program, created by the Deficit Reduction Act.²

I. Introduction

RadioShack is a major consumer electronics retailer with over 4,700 stores owned and operated in the United States (with additional 1,600 franchise stores). RadioShack is proud of the training it provides its sales people and its ability to help consumers with issues affecting connectivity and access to technology in the home – hence, its motto "You've got questions. We've got answers." With its distribution of stores in both rural and urban areas and its trained sales staff, RadioShack is well-positioned to assist consumers as they transition to digital television in February, 2009. In addition to its role as a retailer, RadioShack is also a manufacturer and is considering offering consumers a RadioShack-branded converter box during the transition period. Thus, RadioShack's plans to participate in the transition are directly affected by the terms that NTIA sets forth in this proceeding.

The coupon program, mandated by Congress in the Deficit Reduction Act, is an integral and essential component of the broadcast transition from analog television to digital television.

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¹ Implementation and Administration of a Coupon Program for Digital-to-Analog Converter Boxes, 71 Fed. Reg. 42,067 (proposed July 25, 2006) (hereinafter "NPRM").

² See Title III of the Deficit Reduction Act of 2005, Pub. L. No. 109-171, 120 Stat. 4, 21 (Feb. 8, 2006) (hereinafter "the Act").

However, the concept of bringing a Digital-To-Analog (DTA) converter box to market in this manner is a unique government initiative. In order to be successful, it requires a particular focus on creating the same types of market incentives and conditions for a product that would exist for manufacturers, retailers and consumers if the product were being introduced without government intervention. In order to successfully complete the transition, the coupon program needs to be operate as smoothly as possible for consumers, manufacturers and retailers. In addition, the coupon program was created in order to allow consumers to continue viewing television without requiring a significant personal expenditure on their part. Thus, the coupon program should be focused on making/keeping consumers whole, while helping them benefit from the amazing viewing opportunities that digital television provides. In sum, logistical and economic hurdles for consumers, manufacturers and retailers must be minimized.

While NTIA's proposals include a number of useful concepts, they have the potential of erecting hurdles which could 1) limit the availability of competitively priced boxes, forcing many consumers to spend more than otherwise necessary to continue watching television and, 2) reduce retailer participation in the program, thereby undermining the effectiveness of the program altogether. Below RadioShack identifies problems presented by the NTIA proposals, and presents specific and detailed solutions that could create a seamless transition for all interested parties. These comments specifically address three central questions raised by the NPRM – a) who should be eligible to request and receive a coupon; b) whether NTIA should use an "electronic coupon card" and c) how best to define the functionality of an eligible DTA converter box.³

The NPRM also seeks answers to many questions regarding the administration of the coupon program and the details of retailer processes.⁴ As described below, most of these questions are best answered through the use of an electronic card solution. These cards will enable a streamlined process that allows NTIA to carefully track the usage of coupons, the flow of its funds and to reduce the level of fraud, waste, and abuse that could occur with the use of paper coupons. For retailers, such a system will provide a self-auditing mechanism, which will reduce the need for significant and long-term recordkeeping and will provide retailers with quick reimbursement so that they are not responsible for carrying the government's obligations on their books for an extended period of time.

Given the significant use of electronic coupon cards or similar systems by federal and state government agencies, RadioShack urges NTIA, in both its rulemaking process and in its Request For Proposal to vendors to employ an electronic coupon card. Several government agencies have successfully implemented programs using electronic benefit transfers or debit card-type transactions. Most significant is the use of such cards for food stamp programs in each of the 50 states, as well as by the Women, Infants and Children Program. The U.S. military also

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³ NPRM, 71 Fed. Reg. 42,068-42,070.

⁴ Id.

distributes electronic cards to its servicemen and women. To implement these programs, the government has entered into successful relationships with experienced third party vendors.⁵

RadioShack's Comments, as well as the comments of others in both the Request For Information (RFI)⁶ and NPRM should sufficiently demonstrate to NTIA why the coupon program should be available to all U.S. households, why electronic coupon cards would be the most efficient and secure coupon method, and why NTIA should allow some flexibility in the functionality of the converter boxes that are sold through the coupon program. While RadioShack's Comments provide some specificity in these areas, RadioShack respectfully requests an additional opportunity to respond to or comment on any or all of the comments filed in this proceeding or in the RFI. Without knowing who the interested vendors might be and more specificity about their proposals, it is virtually impossible to anticipate or address here all of the important issues or questions that might arise as this program develops.

II. Defining "U.S. Household"

A. NTIA Does Not Have the Legal Authority to Limit the Eligibility of U.S. Households beyond the Explicit Limited Terms of the Budget Act

NTIA proposes that Coupons for DTA converter boxes be limited to households that "only receive over-the-air television signals using analog-only televisions." RadioShack strongly opposes this, or any other proposal, to limit coupon eligibility. Contrary to references in the NPRM, the implementing statute and its legislative history are clear that Congress intended all U.S. households access to the coupon program. The coupon program provisions make clear that any household must have access to the program and case precedent requires

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⁵ See generally Electronic Benefit Transfer Status Report, U.S. Department of Agriculture, Food Nutrition Service (Sept. 2006), available at http://www.fns.usda.gov/fsp/ebt/ebt_status_report.htm; U.S. Department of Agriculture, Food Stamp Electronic Benefit Transfer Systems, Report to Congress, at 2-3 (Oct. 2003), available at http://www.fns.usda.gov/fsp/ebt/pdfs/2003 congress.pdf.

⁶ Request for Information, Market Research for Implementation of Digital-to-Analog Converter Box Program (issued July 31, 2006) (hereinafter "RFI"), *available at* http://www.ntia.doc.gov/otiahome/dtv/NTIA DTV DraftRequirements 073106.pdf.

⁷ NPRM, 71 Fed. Reg. 42,068.

⁸ RadioShack understands that some vendors might be capable of narrowing the eligibility of households, but the question is not whether they have such capabilities, but rather whether the NTIA has the statutory authority to do so.

⁹ See NPRM, 71 Fed. Reg. 42,068.

¹⁰ See Section 3005(c)(1)(A) of the Act (using the word "a" before the term "household").

that administrative agencies follow the plain language of the statute when implementing a statute and interpreting congressional intent.¹¹ Where statutory language is not clear, the administrative agency/courts may rely on legislative history for guidance and may make a "permissible interpretation" of the statute.¹² As demonstrated below, both the statute and its legislative history are clear that Congress did not intend to restrict or limit access to the coupon program and as written, *any* U.S. household may request one or two coupons.

As it relates to the implementation and distribution of coupons, the term "households" is used in two places in the statute. The first states that NTIA shall implement and administer a program through which "households in the U.S." may obtain coupons. There is no reference to eligibility in this section. Under a second section of the statute's provisions on the coupon program process, Congress set forth "limitations" on the program. The *only* limitations presented in this section were that 1) "a household" may obtain coupons by making a request during a set timeframe established by Congress, 2) that "each requesting household" shall not receive more than two coupons, 3) that the two coupons could not be added together for the purchase of a single converter box, and 4) that the coupon must expire three months after issuance. Again, there is no reference in the limitations section of the statute to restricting eligibility of U.S. households. Indeed, the use of the term "a household" in this section makes clear Congress' intent not to narrow the field of participants. The definition of "a" is "used as a function word before singular nouns when the referrent is unspecified." Its definition also commonly includes "any". If Congress had intended to limit access or eligibility, this would have been the section in which the legislation would have done so.

Indeed, the legislative history only confirms the intent of Congress that any U.S. household should be able to request a coupon. The legislative history of the conference report does not specifically address the question of eligibility, but does address mechanisms by which

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¹¹ See Chevron v. Natural Resources Defense Council, 467 U.S. 837, 842-43 (1984); Blum v. Stenson, 465 U.S. 886, 896 (1984); Caminetti v. U.S., 242 U.S. 470, 485 (1917); Lake County v. Rollins, 130 U.S. 662, 670-71 (1889); Bradley v. Austin, 841 F.2d 1288, 1293 (1988); see generally Rapanos v. U.S., 126 S. Ct. 2208 (2006).

¹² See Chevron v. Natural Resources Defense Council, 467 U.S. 837, 843 (1984); Blum v. Stenson, 465 U.S. 886, 896 (1984).

¹³ Section 3005(a)(1) of the Act.

¹⁴ Section 3005(c)(1) of the Act.

¹⁵ See MERRIAM-WEBSTER'S COLLEGIATE DICTIONARY 1 (11th ed. 2003)(emphasis added);
BLACK'S LAW DICTIONARY 1 (6th ed. 1990). See also In re Spradlin, 231 B.R. 254, 257 (Bankr. E.D. Mich. 1999); Cook v. Carmen S. Pariso, Inc., 734 N.Y.S.2d 753, 757-58 (N.Y. App. Div. 2001); In re Adoption No. 12612, 725 A.2d 1037, 1049 (Md. 1999); Lewis v. Spies, 43 A.D.2d 714, 715-16 (N.Y. App. Div. 1973).

Congress intended to narrow the use of the coupons in order to control cost.¹⁶ The conference report language makes clear Congress' view that the requirement that households request a coupon is the primary mechanism by which it expected to limit the use of the coupon program and in this context references the eligibility of "every household."¹⁷

"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 ...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." 18

The legislative language also states that only consumers relying on over-the-air (OTA) broadcasts should *need* to participate in the program – it does not however state that this is a required or intended limitation as NTIA seems to indicate in its NPRM.¹⁹ Placed in context with the rest of the paragraph and prior paragraph, it is clear that the purpose of the sentence is to say that the funding provided for the coupon program should meet the demand of those who seek a converter box in order to meet the transition date.

Further, the conference report clearly and explicitly delineates the areas in which Congress provided NTIA authority to promulgate rules. The authority to promulgate rules on coupon eligibility is not listed.

"The Managers expect NTIA to promulgate regulations within nine months of enactment governing: (1) the content and distribution of coupon request forms and coupons; (2) consumer redemption of, and retailer reimbursement for, the coupons; (3) the types of converter boxes that shall be eligible for purchase with a coupon; (4) certification, education, and auditing of retailers involved in the program; and (5) consumer and retailer appeals."²⁰

Although the version of legislation reported out of the House Energy and Commerce Committee was changed in some respects prior to final passage by Congress, the relevant provisions of the "limitations" section of the coupon program remained largely the same. Thus, it is also relevant to review the legislative intent of the Committee. In its press release just prior to mark up, the Energy and Commerce Committee stated that the legislation would provide

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¹⁶ H.R. CONF. REP. No. 109-362, at 201-02 (2006).

¹⁷ Id. at 202.

¹⁸ Id. (emphasis added).

¹⁹ Id. at 201; NPRM, 71 Fed. Reg. 42,068.

²⁰ H.R. CONF. REP. No. 109-362, at 202.

coupons to all households, including those connected to cable and satellite. "Each household, regardless of whether it subscribes to cable or satellite service, may obtain up to two coupons that can be applied towards the purchase of a digital-to-analog converter box."²¹

NTIA seems to rely on the legislative use of the term "eligible households."²² However. this term's use is limited in the statute and is clearly restricted in its meaning. The only one place in the statute where the term "eligible households" is used is not in the context of consumer access to or limitations on the coupon program. It is located in the section entitled "use of additional amounts" and relates solely to the supplemental funds available for the program.²³ In this context, the term "eligible households" is only relevant as a mechanism for NTIA's determination of whether or not it will need additional funds if the \$990 million appears insufficient. Specifically, the statute requires NTIA to notify Congress in a statement certifying that initial funds "will be insufficient to fulfill the requests for coupons from eligible households."24 NTIA proposes to define the term "eligible households" as those that are exclusively over-the-air. To the contrary, it is clear from the legislative intent of Congress outlined above that the most reasonable interpretation of "eligible" in this context is to simply mean those households that requested coupons. As indicated by the clear intent of the Act and its legislative history, NTIA may not use the term "eligible households" to limit access to the coupons by other households. This conclusion is consistent with case law regarding statutory construction, which requires agencies to follow the plain language of a statute.²⁵

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²¹ Press Release, House Energy and Commerce Committee, Barton, Upton Unveil Digital TV Transition Act (Oct. 25, 2005); see also Press Release, House Energy and Commerce Committee, Committee Sets Date for Digital Television Transition; Legislation Will Improve Communications Capacity for First Responders, Provide Funding for Converter Box Program (Oct. 26, 2005) ("The Commerce Department's [NTIA] will administer the program, which will send up to two converter box coupons to any consumer that requests.") (emphasis added).

²² NPRM, 71 Fed. Reg. 42,068.

²³ See Section 3005(c)(3) of the Act.

²⁴ Id.

 ²⁵ See Chevron v. Natural Resources Defense Council, 467 U.S. 837, 842-43 (1984); Blum v.
 Stenson, 465 U.S. 886, 896 (1984); Caminetti v. U.S., 242 U.S. 470, 485 (1917); Lake County v.
 Rollins, 130 U.S. 662, 670-71 (1889); Bradley v. Austin, 841 F.2d 1288, 1293 (1988); see generally Rapanos v. U.S., 126 S. Ct. 2208 (2006).

B. Even if NTIA Had the Legal Authority to Restrict Coupon Eligibility, the Provisions Proposed by NTIA Should Not be Adopted Because They are Unenforceable and Ineffective

Even if NTIA had the legal authority to restrict coupon eligibility, the proposed limitation on eligibility is unenforceable in any case. This proposal presents so many questions that it is difficult to fathom its administration or compliance. How would NTIA verify a household's certification that its televisions are OTA-only? What happens if a household that was OTA-only at the time of coupon request, later decides to subscribe one television to cable, or to purchase a digital television? Does this certification require OTA-only households to remain so?²⁶

Furthermore, while NTIA's interest in ensuring that the OTA-only households receive a converter box prior to the DTV transition date and the expiration of the coupon program is worthy, it is a goal that can be accomplished by creating a system for monitoring the coupon request/use by OTA-only households. For example, while NTIA may not restrict the coupon to OTA-only households, NTIA may request on the application forms that a consumer voluntarily mark whether they are an OTA-only household or not. With that information, NTIA can track the use of that consumer's coupon and, through use of the electronic coupon card tracking system and other information, NTIA might be better able to determine whether or not it will have all of the funds necessary to fulfill the requests of all OTA-only households seeking coupons. In addition, as NTIA noted in the section on consumer education, NTIA, consumer groups, broadcasters, and retailers should do their part together to focus education on OTA-only households which will help ensure participation in the coupon program. In these manners, NTIA would accomplish the goal of ensuring access by these specific households.

Finally, as written, NTIA's proposed regulation to limit eligibility actually has the potential to harm those households that it is trying most to help. By limiting access to the coupon to OTA-only households, NTIA is limiting overall demand and market for the eligible converter box. By doing so, the cost of the box may remain high – above the desired \$50 or \$60 price – for a longer period of time. This will cause these consumers to pay more than they might if demand were higher.

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III. Coupon Application Certification Process

A. RadioShack Supports NTIA's Plans for Coupon Availability and its Limitation to Two Coupons, but Opposes Consumer Certification

NTIA proposes that consumers be required to "certify" that they are an OTA-only household. Further, if they seek two coupons, they must 1) request two and 2) "certify" that they have two OTA-only televisions in their OTA-only households. RadioShack supports the requirement that consumers who need two coupons should be required to request two. It would be inefficient and wasteful for NTIA to voluntarily send two coupons to each applicant household without some affirmative action by the consumer. NTIA also proposes the wide availability of application forms and methods for requesting forms. RadioShack supports NTIA's proposals in this area, including the use of the Internet. RadioShack also suggests that forms be made available in public buildings, such as post offices.

RadioShack, however, reiterates its concern regarding certification by a household that it is over-the-air and certification as to how many TVs it has. For the reasons stated above, NTIA can not verify such information in a reasonable manner and thus such certification is rendered a useless measure for controlling cost or coupons. As outlined below, monitoring of the number and use of coupons is better done once they are distributed through the use of an electronic coupon card. For example, one electronic coupon card can have the value of one or two \$40 coupons, depending on the specific household's request. NTIA will be able to know in real time when those cards have been used.

IV. Coupon Expiration Date

As noted in the NPRM, the statute requires that the coupons expire three months after issuance.²⁹ RadioShack believes two separate issues are presented by this requirement: a) how to define "issuance" and b) how best to ensure compliance by consumers, without placing undue burden on consumers or retailers.

A. Defining Issuance

NTIA proposes to print an expiration date on each coupon and that the expiration date be three months after the "issuance" date, which it defines as the date that the coupon is placed in the U.S. mail.³⁰ The NPRM seeks comment on possible alternatives for the definition of

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²⁷ NPRM, 71 Fed. Reg. 42,069.

²⁸ Id.

²⁹ Section 3005(c)(1)(C) of the Act.

³⁰ NPRM, 71 Fed. Reg. 42,069.

issuance date and specifically asks whether it should be date of receipt or whether to assume average delivery of first class letter as two to three days and thus post the issuance date as three days after mailing date.³¹ RadioShack supports the proposal of defining issuance as the date mailed, plus three days of mail service. Without accommodating the time for delivery through mail, NTIA would be providing consumer less than 3 months to use the coupon.

NTIA notes the benefit of printing the expiration date on the coupon to ensure against fraud and waste and to alert consumers that timely action is required.³² RadioShack agrees. In addition, RadioShack believes it is imperative that consumers be made aware of the expiration date in as many ways as possible in order to avoid situations where the consumer learns first from the retailer that the card has expired. While RadioShack understands the responsibility of the retailer in this regard, it is first the government's responsibility to fully inform the couponholder. The expiration date should be crystal clear so that there is no confusion on the part of the consumer or store salesmen at the time of transaction.³³

B. Use of Electronic Coupon Cards Will Best Ensure Expiration Date Compliance

RadioShack discusses the use of electronic coupon cards in more detail in section V below. Electronic coupon cards are the best way to inform the consumer about the expiration date and reduce potential waste and abuse. RadioShack proposes that if NTIA uses an electronic coupon card, the cards should be imprinted with expiration dates (like credit cards) and additionally, the card would be programmed not to work after the expiration date. In order to reduce cost of printing/making the cards, NTIA could distribute coupon cards by bulk mail on a once weekly or bi-weekly basis; thus, the cards would be printed and mailed in batches. In addition, RadioShack proposes that any mailing that accompanies the card when shipped should also highlight the expiration date. Consumers are quite familiar with the card expiration concept and this will reduce the burdens of all concerned.

V. Coupon Value and Use Restrictions

A. Use of the Electronic Coupon Cards will Best Serve NTIA, Consumers, and Retailers

NTIA proposes a number of restrictions on the coupon, consistent with the limitations set forth by the statute.³⁴ It is in this section that NTIA inquires about the use of an electronic

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³¹ Id.

³² Id.

³³ In the event that a household never receives the requested coupon in the mail, that consumer should have the right to a new one and a new 90 day period. RadioShack understands from at least one electronic coupon card provider that there should be no problem canceling the value of the lost card – so there is no potential for fraud if such events occur.

³⁴ NPRM, 71 Fed. Reg. 42,069.

coupon card, instead of paper coupons.³⁵ RadioShack strongly urges NTIA to use an electronic coupon card. RadioShack defines "electronic coupon card" as one that could have a combination features of electronic benefits transfers, stored value cards and/or debit/credit cards. Specifically, the card should be assigned the value of either one or two \$40 coupons (either preloaded or at POS authorization, should have an imbedded expiration date (again, either preloaded or triggered at POS authorization), which should also be displayed on the card, and should include a serial number tied to the U.S. household printed on the card and imbedded in it.³⁶ It could also include a personal identification number (PIN) required for purchase and all of this information would be subject to an automated approval process at the point of sale (POS).³⁷

NTIA has raised numerous issues throughout the NPRM which are simply resolved through the use of an electronic coupon card. Without use of an electronic coupon card, the coupon program as presented by NTIA could raise such significant hurdles as to potentially make the program a failure. NTIA seeks comment regarding methods to reduce fraud, waste and abuse. There is no single method more effective than using an electronic coupon card system. While NTIA may have concerns over the fraudulent use of government-issued cards after Katrina, the circumstances of that event and the processes the government and charitable organizations used are far different than those proposed here. The most important distinction is that the government has more time to establish the appropriate systems for the distribution and use of the card, utilizing the experience gained through successful existing programs.

As already noted, the federal government, as well as most state governments have relied on electronic coupon card technology for programs much more significant than this one. They have chosen to do so because the use of these cards creates the opportunity for significantly less fraud and waste than paper coupons, while also providing the user a more simplified and sophisticated process.³⁹ While fraud can be an issue, RadioShack believes fraud would be minimized by use of an electronic coupon card with the following steps taken:

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³⁵ Id.

RadioShack understands from at least one potential vendor that it is most efficient and secure to provide one card per household that could include one or two \$40 amounts, depending on the household's request. In compliance with the statute, the value of these coupons could not be combined for the purchase of one converter box. In addition, RadioShack believes that the vendor should be the primary party responsible for matching the coupon with the household. It may be necessary also to permit an agency designation on the coupon request form and in the system to allow for relatives or friends to purchase for the infirm or elderly.

³⁷ This is an area in which RadioShack welcomes the opportunity to provide additional comments once there is more information provided regarding the capabilities of interested vendors.

³⁸ NPRM, 71 Fed. Reg. 42,069.

³⁹ See, e.g., Fact Sheet, Wisconsin QUEST Card, available at http://dhfs.wisconsin.gov/foodshare/ebt/general/questfacts.htm (last visited Aug. 16, 2006).

- a. when a coupon or coupons is sent to a household, NTIA or its issuer, would indicate that event in a database, thereby preventing NTIA from mistakenly sending out additional coupons if a second request is made by that same household.
- b. with an electronic coupon card, the government would be able to track fraud or abuse more easily and quickly than with paper coupons.⁴⁰ In addition, in the case of significant fraud or loss of a batch of electronic cards, the issuer of the cards (NTIA's third party vendor) would be able to prevent the use of those cards automatically; in contrast, once paper coupons are in the marketplace, NTIA would no longer be able to control or track them until after a transaction is made and the retailer sends them back.
- c. with serialized electronic coupon cards tied to a specific household, it would be harder to resell or duplicate them for use. RadioShack supports NTIA's proposal to serialize the coupons for tracking purposes. Each electronic coupon card can be printed with a serial number, much like a credit card, and activity may then be tracked in real-time. While serializing paper coupons might provide NTIA some tracking capabilities, it would not be in real time, but rather would require the consumer to provide the retailer the coupon, require the retailer to send it in, and require NTIA to pay the retailer before NTIA received accurate information as to how many converter boxes had been sold and how much of NTIA's funds used. The process with each paper coupon would take months, whereas electronic transactions could be tracked within days or even hours.
- d. NTIA should, depending on the type of program implemented, also consider replicating the credit card activation process, whereby a pre-loaded card would not have any value until the self-activation process is complete. This process would require the household to call the issuer from the resident phone number (which would have been provided in the application form).
- e. NTIA would provide each household a PIN number for use at POS, which would further secure the card.
- f. As previously stated, a card with only one or two \$40 amounts should minimize fraud a significant portion of fraud with stored value cards, gift cards, etc. appears to occur on cards that are empty in the store until time of purchase or that have significant value loaded on them.
- g. The automated approval process and expiration date (combined with the \$40 limit) should also minimize opportunity for duplicate use.

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⁴⁰ See Frequently Asked Questions Regarding the Food Stamp Program and EBT, U.S. Department of Agriculture, Food and Nutrition Service, available at http://www.fns.usda.gov/fsp/ebt/FAQ.HTM (last visited Sept. 22, 2006).

⁴¹ See fn. 39.

B. Processes for Limiting Inappropriate Returns or Refunds for Cash are Best Managed by an Electronic Coupon Card

RadioShack supports the use of the electronic coupon card for only certified converter boxes and understands that each coupon would be restricted to the purchase of only converter boxes. RadioShack also understands that NTIA would like to take steps to prevent consumers who might return an eligible converter box for an ineligible product or cash. Again, such concepts are best imposed through the use of an electronic coupon card, which would only authorize the purchase of eligible products. However, it is also essential that both the retailer and the consumer are appropriately informed of any restrictions and that consumers retain their ability to make legitimate transactions after their initial purchase.

NTIA proposes that only "even" exchanges may be made. AddioShack does not support the use of the term "even." The term "even" has specific meaning in the retail setting in terms of features and price. RadioShack anticipates that the converter boxes could contain variations in features (see section VII below) and price. RadioShack therefore requests that NTIA clarify this restriction to state that only exchanges for other certified converter boxes will be permitted. RadioShack also seeks clarification on an issue not addressed in the NPRM relating to exchanges. With an expiration date of three months after issuance, and with many broadcasters not fully transitioning to digital transmission until the hard date, many households who acquire converter boxes may not know if their converter boxes are fully operational until after the expiration of the three month period. RadioShack urges NTIA to confirm that, regardless of the coupon date or hard date, retailers may decide, in a manner consistent with their own store policies, to issue exchanges for certified converter boxes to any consumer who used a coupon for the initial purchase.

NTIA also proposes that no refunds on converter boxes be permitted. While RadioShack understands NTIA's desire to simplify the program, RadioShack believes that there may be some unusual circumstances where returns/refunds are necessary. First, in the event of a box malfunction, it is possible that store to which the product is returned will no longer have stock for exchange purposes. Second, if a consumer decides, after the initial converter box purchase, to purchase a new television instead, refunds should be permitted. Because the consumer probably will have contributed to the purchase of the converter box, RadioShack believes that a refund of that contribution should be permitted, in compliance with the return policies of participating retailers. In addition, it is RadioShack's understanding from at least one potential vendor that a coupon could be reloaded to the consumer in a manner which would protect against waste, fraud and abuse. In the event a second sale was never made, the government would retain the funds. In the alternative, perhaps the consumer could be refunded only his or her portion of the purchase price and the retailer could directly refund the government through the vendor's system. RadioShack believes that this refund proposal is possible with the

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⁴² NPRM, 71 Fed. Reg. 42,070.

⁴³ Id.

use of electronic coupon cards and should be important to NTIA as a method to control costs by allowing NTIA to recoup funds for refunded, unwanted products. However, RadioShack also suggests that this is an area requiring additional comment once more information is available regarding the specifics of the vendors' proposals. Finally, whatever the terms of NTIA's return policy, RadioShack recommends that the disclosure of these terms be made on the card and accompanying NTIA materials, as well as the following disclosures: "No Cash Value," and "Exchange Only for a certified DTA converter box."

VI. Retailer Certification

As stated in the introduction, in order for the coupon program to be a success, it needs to operate smoothly, with as few hurdles as possible for interested parties. In its discussion of retailer certification, NTIA, however, places needless roadblocks in the way of the coupon program and the digital transition. The goal of protecting against fraud, abuse and waste is worthy and necessary, but can be accomplished through use of an electronic coupon card system, rather than by barriers that create disincentives for retailer participation. There are many examples of partnerships between government agencies, third-party services, retailers, and consumers. The government has successfully worked with service providers having significant familiarity in creating systems for both government-mandated and private, commercial electronic transactions. In addition, RadioShack also emphasizes in this section the need to rely on retailers qualified in the consumer electronics area to participate in the converter box program. Consumer understanding about the purpose and functionality of the converter box is one of the most essential components driving the success of this program and such understanding will not exist if the participating retailers are not capable of answering consumer questions. 44

A. Retailer Consumer Electronics Experience Should be Required

NTIA proposes that consumers redeem coupons at retailers that "have established production and distribution channels and who demonstrated that they can redeem coupons expeditiously and efficiently." RadioShack strongly supports the requirement that only experienced retailers may be certified under the program. Due to the technical nature of the converter box and the potential for a short-term but heavy purchase demand, RadioShack believes experience is essential to assure the success of the program. However, it is not clear

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⁴⁴ NTIA's own record thus far provides evidence of already existing consumer confusion. *See* Anonymous Consumer, Comments of Anonymous Consumer with regard to NTIA's NPRM (Aug. 2, 2006) (suggesting that receiving a digital-to-analog converter box will entail subscribing to cable); Robert Ferguson, Comments of Robert Ferguson with regard to NTIA's NPRM (Aug. 4, 2006) (asking for a coupon for "HDTV" conversion); Sophie Manion, Comments of Sophie Manion with regard to NTIA's NPRM (Aug. 26, 2006) (requesting the necessary "form" for converter boxes "needed for hdtv use"); Report, Government Accountability Office, Digital Television Transition, GAO-05-940R, at 6 (Sept. 6, 2005) (recalling retailers' stories of consumer confusion regarding the digital television transition).

⁴⁵ NPRM, 71 Fed. Reg. 42,070.

how NTIA will require retailers to demonstrate the adequacy of their distribution and sales channels. With regard to the redemption process, any concern NTIA has would be resolved by the use of an electronic coupon card. RadioShack believes that most established retailers who would participate in this program already accept credit card purchases, a program which is virtually identical to the technology we recommend for the electronic coupon card. By choosing a vendor already familiar with both retailer needs and turnkey card based systems, including fraud prevention techniques, NTIA can assure the success of this program.

B. RadioShack Supports Use of the Internet

RadioShack supports NTIA's proposal to certify retailers that can handle converter box purchase via mail, phone or over the Internet, as well as in on-ground retail stores. However, RadioShack believes that both Internet and bricks and mortar retailers must meet the same criteria outlined below. RadioShack also notes that Internet and phone sales would be impossible under a paper coupon program because the retailer would be unable to provide NTIA with evidence of the coupon used and there would be no way in which to "cancel" the paper coupon upon usage. With an electronic coupon card, the coupon is verified and authorized at point of sale. With an electronic coupon card, such sales are possible, but RadioShack notes that the vendor system must accommodate (at no additional fee) on-line "split tender sales" — that is, it must accept payment by both the electronic coupon card and by the customer's payment method.

C. NTIA's Five Criteria for Retailer Participation and Certification is Better Implemented through Use of an Electronic Coupon Card

NTIA would require retailers to certify as to 5 criteria, under penalty of law. They must certify that they:

- 1) provide information to customers about the necessity for and the installation of a converter box;
- 2) have in place systems that can be easily audited as well as systems that have the ability to prevent fraud and abuse in the coupon program;
- 3) are willing to be audited at any time during the course of the coupon program;
- 4) have the ability to electronically provide NTIA with sales information related to coupons used in the purchase of converter boxes, specifically tracking each serialized coupon by number with a corresponding certified converter box purchase; and
- 5) will only submit coupons for redemption as a result of purchases made for converter boxes certified by NTIA. 46

NTIA's criteria (2)-(5) are best satisfied through the use of an electronic coupon card system rather than through the certification process. Without an electronic coupon card system, it is unclear how NTIA would 1) confirm the veracity of the retailers' certifications, 2) define terms such as "easily audited" systems or 3) ensure at point of sale (POS) that only certified

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⁴⁶ NPRM, 71 Fed. Reg. 42,070.

retailers are accepting coupon purchases. With an electronic coupon card system, each certified retailer will receive an authorization code for verification at POS, the POS authorization system would be self-auditing in nature. Transactions made by unauthorized retailers would be rejected at the time of sale, rather than at the time of reimbursement (which would create a much less efficient and more wasteful process).

NTIA proposes as criterion (1) that retailers certify they provide information to customers about the necessity for and the installation of the converter box. AndioShack supports this provision. RadioShack also urges NTIA to require participating retailers to demonstrate that they have experience in consumer electronics retail and that their sales people have received specific training on the necessity for and use of the converter box so that consumers can ask questions and receive accurate answers. This is an essential component of the consumer education effort in the digital transition. As noted in section VII below, RadioShack urges NTIA to allow for some flexibility in the variety of certified converter boxes in order to meet the personal needs of each consumer. Likewise, RadioShack believes that because the need for specific features and capabilities will vary based on the age and location of televisions, knowledgeable sales people are essential to the success of the converter box program.

D. With the Ability to Use Electronic Coupon Cards, Retailers Should Not be Required to Submit Separate Records in Order to be Reimbursed or to Maintain Hard Copy Records for One Year as NTIA Proposes

NTIA proposes to require that retailers submit coupons within 30 days of purchase and that retailers retain HARD copies of sales information for one year. NTIA proposes to reimburse retailers within 60 days. The requirement for providing NTIA sales data is unnecessary if an electronic card system is utilized. Requiring retailers to provide such data instead of retrieving it through automated transactions would significantly delay the reimbursement process and would affect NTIA's ability to track the demand for funds. With a coupon period which is only roughly 18 months, any lag in processing is significant. RadioShack again points out that if NTIA uses an electronic coupon card system, NTIA would receive the sales data in real time via the third party vendor. The vendor's information would include the location of sale (i.e., at an authorized retailer, date of sale, ticket number, serial number of the electronic coupon card (i.e., the household), the product SKU number sold and the price. Under any proposal regarding retailer information in this program, NTIA must clarify that its vendor will retain such proprietary information confidentially and it may not be released to the public or to other retailers or manufacturers.

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⁴⁷ Id.

⁴⁸ NPRM, 71 Fed. Reg. 42,070.

⁴⁹ Id.

The proposal that retailers retain hard copies of sales records for one year is also unreasonable, particularly in light of the fact that a paper coupon system would create inefficiencies and could in fact subject NTIA to increased opportunities for fraud and abuse. As outlined above, with an electronic coupon card system, NTIA would receive all of the information it needs for audit purposes within a short period of time. If NTIA insists that retailers preserve specific records on sales for one year period, they should be permitted to maintain records electronically.

NTIA proposes to reimburse retailers within 60 days. RadioShack believes reimbursement should occur immediately upon a transaction. Again, with an electronic coupon card system, the reimbursement would be automatic with the transaction, saving an endless amount of time in the transaction settlement process. NTIA spot audits of sales records against SKU/model number lists would assure that participating retailers are selling the correct qualified products. In addition, *only a certified retailer* would be authorized to make an electronic coupon card transaction, further minimizing fraud concerns. In other words, at point of sale, the third party vendor would not accept the transaction made by a retailer not certified by NTIA and those retailers certified will have already promised "under penalty of law" that they will not sell uncertified boxes to coupon holders.

If NTIA chooses to use a paper coupon system, a retailer may be reluctant to participate in the program, knowing that they are in effect lending the government \$40 for each sale for at least 60 days. In addition, as noted below, the burden of sending paper coupons and records to NTIA within 30 days and retaining hard copies for one year is costly and if required to do so, retailers must be reimbursed for such effort..

E. RadioShack Shares Additional Comments on NTIA's Retailer Certification Proposals

RadioShack provides the following additional comments regarding the retailer certification proposals. NTIA states that retailers would be required to certify as to the criteria presented "under penalty of law." RadioShack seeks further clarification as to what the term "under penalty of law" means. NTIA must fully inform retailers in advance of any certification regarding the laws under which such penalties are imposed and what those penalties might be. RadioShack urges NTIA to clarify that any penalties would only apply to intentional efforts to defraud the program and that unintentional non-compliance or error would not be subject to penalties. In addition, RadioShack opposes any proposal that retailer obligations under this program might include a requirement to maintain inventory in all stores at all times. Such a requirement would be burdensome, and perhaps impossible, to meet.

NTIA seeks additional ways to protect against fraud, abuse and waste.⁵¹ RadioShack suggests that the retailer certification process not only require that retailers certify in advance of

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⁵⁰ Id.

⁵¹ NPRM, 71 Fed. Reg. 42,070.

participation that they will be selling certified converter boxes but also require them to provide NTIA with a list of the stock-keeping units (SKUs) and associated model numbers for those certified boxes. Using an electronic coupon card, with an experienced vendor, this SKU list could be updated in close to real time, so long as the retailer provided that updated information to NTIA. NTIA's vendor could then compare the list against a manufacturers' list of certified converter box model numbers, which NTIA should require manufacturers to provide. This process is necessary in order for NTIA to audit whether the coupons are being appropriately used for certified box purchases. It is also a process which would weed out illegitimate or fraudulent retailers. It is essential, though, that NTIA or its third party vendor have this system automated so that the process for adding and deleting SKUs is virtually immediate. Retailers and manufacturers would surely object to any process adopted by NTIA that would delay their ability to maintain stock in their stores for customers.

F. Participating Retailers Must be Reimbursed by NTIA for Certain Administrative Costs

Finally, RadioShack responds to NTIA's proposed rule that retailers will not be compensated by NTIA. Regardless of the coupon method utilized, there will be substantial costs for retailers associated with the administration of the coupon programs and these are sunk costs for which retailers should not bear the burden. One of the reasons that RadioShack supports the use of an electronic coupon card is that, overall, it will be less expensive and much more efficient to administer. However, RadioShack recognizes that to establish a seamless electronic system will require upfront costs on the part of the retailer either for new hardware (i.e., terminals) or software costs in order to make their proprietary POS systems interface with the vendors' system.⁵²

In a normal retail environment, a retailer would likely consider this cost as an investment, amortized against the sales life of the many products sold in its stores. Alternatively, a retailer might reflect such costs in the price of its many store products. In this situation, RadioShack and others are constrained. There is nothing against which to amortize this cost - the shelf life of the eligible converter box is as short as the 18 months of the program and the system upgrade is only required for the purchase of the few models of eligible converter boxes. While a price for the converter box has not been mandated, RadioShack recognizes the importance to consumers of keeping the prices as low as possible and therefore would prefer not to pass the cost on to them,

RadioShack, therefore, believes that NTIA must plan to reimburse participating retailers at some level for the costs associated with the implementation of the electronic coupon card system. In the private sector, this might be considered analogous to the manufacturers' common payment to retailers of fees for the handling of their manufacturing coupons. In addition, RadioShack points out that Congress has authorized a total of between \$100 and \$160 million for

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⁵² NTIA should not consider this a reason to avoid an electronic coupon card. RadioShack believes that, in addition to the inefficiencies created, a paper coupon program would create significant back-end costs to retailers, in the delivery of paper records to the NTIA vendor, the retention of records, audit requirements, and delay in reimbursement.

administrative costs and that some portion of that amount should be utilized for implementation and installation purposes.⁵³

VII. Converter Box Functionality

A. Manufacturers and Retailers Should Maintain Some Limited Flexibility in the Functionality of Converter Boxes Eligible under the Program

As NTIA indicates, the statute restricts the functions of the converter box to those necessary to convert a digital signal into an analog television format, and permits a remote control. NTIA defines the term further by stating that "a converter box should be able to receive digital broadcast signals in the same receiving configuration (e.g., same household antenna, same location) as used for the existing analog reception." NTIA also notes that antenna reception could vary based on geography and "other factors." Further, NTIA states that the converter boxes "would not be required to render pictures and sound at more than standard definition quality."

RadioShack understands that the statute limits functionality of the converter boxes for purchase through the coupon program to the conversion of the digital signal to a signal capable of being received by an analog television. However, RadioShack believes that this language should not restrict manufacturers to a "one size fits all" converter box. There are many generations of analog televisions currently in American households, with several different inputs. In addition, analog OTA televisions are located in households throughout the U.S. with varying reception capabilities. Because the ages and geographic location of analog televisions currently in the marketplace vary, RadioShack believes it is important to have the option to manufacture more than one version of boxes to accommodate the varying needs and desires of consumers. If manufacturers are required to put every potentially necessary feature in one converter box, it will increase the overall cost of the converter box. Thus, RadioShack supports the concept of a requiring a certain set of specifications and features, as well as an additional set of optional specifications or features.

RadioShack does not support the inclusion of converter boxes with luxury features not directly related to the digital conversion. By suggesting that NTIA permit some optional features, RadioShack focuses on the needs of consumers and also the need to manufacture a small ranges of products that are competitive in the marketplace. RadioShack's comments

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⁵³ Section 3005(c)(2) and (c)(3)(A)(i) of the Act.

⁵⁴ Section 3005(d) of the Act.

⁵⁵ NPRM, 71 Fed. Reg. 42,069.

⁵⁶ Id.

⁵⁷ NPRM, 71 Fed. Reg. 42,070.

regarding the specifications proposed by NTIA provide further explanation for RadioShack's desire for flexibility.

B. Specifications

NTIA states that a certified converter box must meet the specifications found in Part 73 of the FCC Rules and Regulations, as well as ATSC standards A/52A, A/53C, A/65B and A/74. NTIA also specifically proposes that a qualified converter box:

- (a) appropriately processes all ATSC RF signals provided to the antenna-only input and then provides output signals in standard definition video for display on an NTSC television/monitor.
- (b) delivers NTSC composite video and stereo audio to drive NTSC monitors.
- (c) delivers Channel 3 or 4 switchable RF output for television receivers.
- (d) complies with closed captioned, EAS and required parental controls.
- (e) operable by a remote control.
- (f) tunes to all digital television channels 2-69.⁵⁸

With regard to the proposed mandate to include an RF modulator, RadioShack acknowledges that some households will require an RF modulator in order to correctly connect an older (pre-1989) television to a converter box. However, as a significant retailer of RF modulators, RadioShack knows that there are only a limited number of households with televisions requiring RF modulators and of these households, many have already purchased RF modulators in order to connect their DVD player, game console, etc. Thus, mandating that *all* consumers pay extra for a product they do not need or may already have in order to satisfy the needs of a smaller number of consumers seems inconsistent with Congress' desire to subsidize a reasonably priced converter box. Thus, RadioShack urges NTIA to permit the inclusion of RF modulators as an option in certified boxes, but not to mandate their inclusion. ⁵⁹

With regard to the proposed requirements regarding compliance with EAS, RadioShack believes that the converter box should be required to meet only the capabilities of EAS as it

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⁵⁸ NPRM, 71 Fed. Reg. 42,070.

⁵⁹ In the event that NTIA mandates the inclusion of an RF modulator, as proposed, it is essential that NTIA also require that the converter box include a pass-through output for ease of installation. In addition, RadioShack notes that any unnecessary features added to the converter box add to energy consumption and will make it that much more difficult to comply with any energy standards at a reasonable cost to consumers.

exists today. Any additional features will add significantly to the cost and energy consumption to the box.

In addition to listing functionality specifications, NTIA also includes limitations regarding inputs and outputs. Specifically, NTIA proposes that the converter box have only one input for an external antenna – type F connector. This is one of the areas in which RadioShack believes manufacturers should have some flexibility in order to satisfy the specific needs of consumers. While most OTA households will be able to utilize the antennas they already own, there are some that may need a more sophisticated antenna once the digital transition is complete - no one will know with certainty which households these are until the transition is complete. RadioShack therefore urges NTIA to consider the inclusion of an input capable of connecting a Smart Antenna to the converter box. Again, RadioShack does not propose that such a feature be mandated as it will add unnecessary cost for many consumers, but it should be an option in a certified converter box for those consumers who seek it. It is possible that some consumers will purchase a converter box before the hard date and not fully learn of its functionality until the transition is complete. At that time, retailers need to be capable of responding to those consumers who purchased product, but now need additional assistance to make them fully functional. If a consumer purchased a certified converter box without a Smart Antenna and does not receive a digital signal correctly, RadioShack would like to have the option under its own policies to be able to exchange the initial box for one that will work.

NTIA inquires whether there are other characteristics which it ought to consider permissible for a certified converter box. AddioShack seeks clarification that it would be permissible to include full PSIP capability. It appears through NTIA's reference to the ATSC standards that it does include this functionality. RadioShack believes that again, manufacturers should be permitted to include chips with this capability in a certified converter box. With multicasting, broadcast television will be transformed. OTA television viewers will see the number of broadcast channels increase four fold and thus having the television appropriately display the channels is an important feature for these viewers, which directly relates to conversion process and the operation of the box. NTIA has indicated that these are important considerations. Because the functionality is imbedded in chips already, providing this functionality adds very little cost to the box.

C. RadioShack Supports Relief From State Energy Standards on Eligible Converter Boxes

NTIA seeks comment "on the extent to which it should consider certain standards, such as energy standards in determining the type of converter box that would be eligible for this program." The Environmental Protection Agency (EPA) is currently developing energy

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⁶⁰ NPRM, 71 Fed. Reg. 42,070.

⁶¹ NPRM, 71 Fed. Reg. 42,070.

⁶² Id.

specifications for converter boxes under its Energy Star Program. RadioShack supports this effort and hopes that the EPA will rely on the Consumer Electronics Association's standards for measurement of set-top box energy consumption, CEA-2013 and that any such standard will prevail over state regulation. RadioShack strongly opposes any role by states in the regulation of energy standards for these converter boxes. The regulations by California and considered in other states are arbitrary and overly burdensome, particularly when one considers that the product is not yet on the market and the specifications for such a product have yet to even be set. Any state regulation, and in particular, inconsistent state regulation, would likely deter or delay the development of these converter boxes and could very well affect the consumer price.

D. Converter Box Certification

NTIA suggests that it would require manufacturers to self-certify that the converter boxes meet the standards outlined in the rules and reserves the right to test the converter boxes to ensure compliance. RadioShack supports this proposal but does not support any mandate of government testing for each product model self-certified. Such a process would be burdensome to the manufacturer and cause undue delay in getting the initial product (and subsequent products) to market. Instead, RadioShack supports the comments of MSTV/CEA/NAB proposing that NTIA create a system, modeled after or in coordination with the Federal Communications Commission's long-time verification procedures. This concept combines a self-testing requirement with an efficient pre-approval process.

In addition, RadioShack proposes that as part of the converter box certification process, manufacturers should provide NTIA lists, on an updated basis, of the model numbers for their certified boxes. As noted above, NTIA, or its third party vendor, will then need to cross-check this list against the SKUs provided by participating retailers to ensure that retailers are selling certified products. ⁶⁶

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⁶³ An abstract of CEA-2013 is available at http://www.ce.org/Standards/StandardsDetails.aspx?ID=1418&number=CEA-2013. 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. This work is targeted for completion before the end of this year. *See also* Comments of Association for Maximum Service Television, Consumer Electronics Association, and National Association of Broadcasters at 18-20 (Comments of MSTV/CEA/NAB).

⁶⁴ NPRM, 71 Fed. Reg. 42,070.

⁶⁵ Comments of MSTV/CEA/NAB at 21-22.

⁶⁶ See supra Section VI, E.

In addition, NTIA seeks comment on how best to make certified converter boxes identifiable to the consumer.⁶⁷ Under the proposals outlined by RadioShack in these comments, NTIA should possess a list of participating retailers and a list of certified model numbers and retailers' SKU numbers. RadioShack proposes that NTIA provide consumers with a list of certified retailers in the information sent out with the coupons. This information should note that retailers may be added or deleted and thus, consumers should review NTIA website for a current list before using the coupon.

VIII. Consumer Education

The NPRM seeks guidance as to how best to educate only OTA-only households about the converter box program.⁶⁸ The burdens attached to such a notion are yet another reason why the converter program can not be limited to only these households, without creating substantial confusion. Instead, the coupon program education effort should be part of the larger effort to educate about the digital transition generally. In this regard, retailers and manufacturers have taken significant steps already.⁶⁹

In addition, RadioShack understands the need to work with NTIA to focus the attention of ALL households with OTA analog televisions on the coupon program. It is essential that consumers in these households understand that they will not be required to purchase a new television or sign up or increase their subscription to cable or satellite in order to continue watching television. RadioShack believes that retailers, with broadcasters and consumer groups should work together to focus on various demographics of OTA households and geographic regions to ensure they are appropriately connected at the time of the hard date. Thus, RadioShack would support NTIA proposals that encourage representatives of these groups to work together in order to target the appropriate consumer groups that might most need assistance from the converter box program.

IX. Conclusion

Congress tasked NTIA with the implementation of a government-mandated subsidy program that has many unique and complex characteristics. Nevertheless, NTIA has the opportunity to implement a program that runs in an efficient and timely manner, while also providing consumers the opportunity to continue their television viewing at minimum disruption or cost. In order to implement such a successful program, NTIA must look to the substantial experience of retailers, third party service providers, and other government agencies to understand the success of programs using electronic transactions systems. In addition, NTIA

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⁶⁷ NPRM, 71 Fed. Reg. 42,070.

⁶⁸ NPRM, 71 Fed. Reg. 42,071.

⁶⁹ Comments of MSTV/NAB/CEA at 23; Comments of the Consumer Electronics Retail Coalition at 13.

should listen carefully to the expertise and input of manufacturers, retailers, broadcasters and consumer groups on issues relating to how best to meet consumer needs in the consumer electronics retail environment. RadioShack looks forward to working with NTIA and others as this program progresses.

Respectfully Submitted,

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