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July 12, 2007

The Honorable Herb Kohl
Chairman
Special Committee on Aging
United States Senate
Washington, D.C. 20510-6400

Dear Senator Kohl:

Thank you for your letter of June 15, 2007 inquiring about RadioShack Corporation's role in the transition to digital television. RadioShack continues to be a strong supporter of the U.S. transition from analog to digital and, to that end, is focused on the February 17, 2009 transition date. While the certainty of a hard date brings significant logistical issues with it, we at RadioShack believe that the enactment of a hard date is the most effective way to insure that the entire U.S. population realizes the benefits of digital television. As a significant consumer electronics retailer, RadioShack is committed to playing an important role in the transition process and helping to make the transition a smooth one.

In your letter, you make specific inquiries regarding (i) RadioShack's role in the National Telecommunications and Information Administration's (NTIA) converter box program; and (ii) RadioShack's efforts to address the specific needs of the elderly in the purchase of a digital-to-analog (DTA) converter box. Until NTIA selects a Program Contractor to administer and implement the DTA converter box program, it is difficult for RadioShack to provide you specific responses regarding RadioShack's role in the converter box program. I hope, though, that the responses and information RadioShack provides below demonstrates RadioShack's commitment to the transition effort generally, to serving the special needs of particular groups of consumers, and to continue work on implementation in earnest as soon as the NTIA's Program Contractor is chosen and the program implemented.

Will RadioShack stores nationwide purchase and make available a sufficient amount of coupon-eligible converter boxes?

RadioShack intends to register and seek certification from the NTIA to participate in the converter box coupon program. As a retailer participant in the program, RadioShack intends to purchase and stock coupon-eligible converter boxes in all of its 4,400 stores throughout the 50 United States, the District of Columbia, Puerto Rico and Guam, as well as on its website. With so many stores distributed throughout the United

States, we believe that RadioShack will play an important, even essential, role in providing access to all consumers, including the elderly. While we cannot guarantee that we will have a coupon-eligible box in every store on every day during the coupon program, it is RadioShack's intention to assist in making sure that all customers have access to the coupon-eligible boxes. In the event that a particular store is out of stock when a customer visits, our sales people will be able to direct the customer to another RadioShack store nearby or order a box for the customer from one of the neighboring stores or from our website.

Even with the commitment of RadioShack and other retailers, there are outstanding issues which could affect retailer availability of boxes during the converter box program. For example, there is some difficulty on the part of any retailer to adequately estimate the demand for converter boxes. While, as you note, the National Association of Broadcasters estimates that 19.6 million households rely exclusively on OTA television, other sources, like the Consumer Electronics Association, have estimated a lower figure. By supporting an 18 month-long converter box coupon program, beginning a year before the February, 2009 cut-off, it is RadioShack's hope that, with the appropriate amount of coordinated education, this timeframe will be sufficient to help accurately determine the demand for converter boxes among all consumers, including the elderly. However, NTIA's timeframe for implementing the coupon program is such that the program's systems may not be in place and coupons may not be available to consumers by January 1, 2008. Delays in the implementing the automated systems and supplying coupons could result in less time during which consumers can purchase converter boxes prior to the transition date and a slower decrease in prices for the boxes since demand would be delayed.

Will RadioShack stores nationwide honor the NTIA issued coupons for the purchase of an eligible converter box?

As noted above, RadioShack intends to register and certify for participation in NTIA's converter box coupon program and, as such, intends to honor the NTIA issued coupons in all of its 4,400 stores, as well as on the Website. RadioShack filed comments during NTIA's Notice of Proposed Rulemaking (NPRM) supporting the use of an automated system for redeeming the coupon and reimbursing the retailer. RadioShack believes that NTIA's final regulations will provide for an effective coupon program. However, RadioShack's participation at this time remains dependent on NTIA's selection of a Program Contractor to administer the program and the program's implementation. Implementing an electronic system that suits the existing systems of both large and small, on-line and in-store retailers will be key to the successful participating of retailers, including RadioShack.

How will RadioShack indicate/identify which converter boxes are eligible for the coupon program?

When RadioShack filed its comments during NTIA's NPRM, it proposed that NTIA provide as much guidance to consumers as possible regarding which converter boxes would be eligible for the coupon subsidy. RadioShack noted that through the use of an automated system, NTIA could register and track the specific manufacturers and product numbers of eligible boxes, as well as the names of all participating retailers, in real time. NTIA could also, therefore, provide consumers with this information at the same time that it sent consumers their requested coupons. NTIA adopted these concepts and the use of automated systems in its rules and it is RadioShack's expectation that NTIA's Program Contractor will implement a process that efficiently utilizes the information acquired to appropriately inform consumers.

Because the system will be automated and maintained in real time, RadioShack also anticipates that at checkout in our stores, the only converter boxes that will be electronically approved for purchase during a coupon transaction will be those boxes registered and certified by NTIA. In other words, if a customer were to attempt to purchase an ineligible product with a coupon, this transaction would be denied by the Program Contractor at the point of sale.

In addition to these anticipated mechanisms for helping consumers identify eligible converter boxes, RadioShack will continue to work with the Consumer Electronics Retailers Coalition, the DTV Transition Coalition, and NTIA to ensure consistent and effective ways in which retailers can assist customers in the store to identify eligible converter boxes.

How will RadioShack assist customers, both on-line and in-store, in receiving the discount for coupon-eligible converter boxes?

With 4,400 stores in all fifty states located in both rural and urban areas, as well as its website, RadioShack believes that it will provide significant consumer access to coupon-eligible converter boxes. While RadioShack believes that it and the other consumer electronics retailers will play an essential role in providing converter boxes to the consumers, the effort to specifically ensure that each customer who wants an eligible box receives the government subsidized coupon is largely that of NTIA and its Program Contractor.

The statute creating the coupon program provides that each consumer seeking a discount for the purchase of a converter box, may request up to two coupons directly from NTIA. RadioShack supports other aspects of the program that limit the hurdles faced by the consumer in the store at time of purchase. For example, under the program's rules, the consumer will not be required to provide an ID to the retailer, so long as the coupon is valid. In this regard, for example, an elderly or disabled person would be able to send a son or daughter to purchase the converter box with the coupon. In addition, as

mentioned above, NTIA's anticipated use of an automated, electronic system for coupon redemption should ensure that the discount is granted for the purchase of only an eligible converter box. If there is a need for additional coordinated efforts on the part of NTIA, its Program Contractor, retailers and other groups in this area and RadioShack looks forward to participating in those discussions.

How will RadioShack assist customers with installing the converter boxes?

The legislation creating the converter box coupon program requires that consumers may only apply the coupon to the purchase of a DTA converter box that has as its sole purpose the conversion of a digital television signal to an analog signal. RadioShack hopes, therefore, that the connection of eligible converter boxes to a consumer's analog television will be straightforward and explained in the manufacturers' instruction manuals. To the extent specific demographic groups, like the elderly, have special installation needs, RadioShack plans to work with the government, the DTV Coalition (of which AARP is a member), and CERC to examine methods by which retailers can reach these populations to provide assistance.

How will RadioShack mitigate the "up-selling" of converter boxes to consumers seeking to purchase a coupon-eligible converter box?

The transition from analog to digital television provides U.S. households many options for the continued receipt of television programming including the continued use of cable, satellite and telephone and Internet providers, as well as several methods by which to continue receiving OTA signals. Those options include the use of a high definition digital television, a standard definition digital television or the use of a DTA converter box.

RadioShack understands that consumers who seek a coupon have likely determined that the purchase of a DTA converter box is the best option for their household and therefore does not believe "up-selling" would make sense in most of these circumstances. RadioShack also believes that the converter boxes will provide many consumers with an economic option that will not only allow them to continue to receive television over-the-air, but will improve their viewing with standard definition picture quality and with as many as four times the number of OTA analog channels. RadioShack anticipates that its role will be to ensure that customers receive a converter box that provides the features necessary to receive an OTA signal. In some cases, this might, for example, require the purchase of a converter box that is compatible for use with a Smart Antenna.

Finally, RadioShack does not anticipate "up-selling" to customers with coupons during the transition because RadioShack does not rely heavily on the sale of digital televisions in its stores. While RadioShack sells digital televisions, its primary market is in the 27 inch and under size and it carries only a few models of televisions in each store. Rather, RadioShack is known for selling products that improve home connectivity. In

fact, RadioShack is a leader in the consumer electronics marketplace in the sale of RF modulators, computer modems and wireless routers. We view the sale of the DTA converter box to be in the same category as the sale of those successful products in meeting our customers' connectivity needs.

How will RadioShack help mitigate the occurrence of fraudulent schemes that may target consumers once the coupon program is initiated?

NTIA raised the prevention and mitigation of fraudulent schemes arising from the converter box coupon program as a paramount concern during its rulemaking proceedings. RadioShack shares this concern, particularly as such fraud might be specifically directed toward the elderly. RadioShack and CERC both raised prevention and mitigation of fraud and abuse in the program as one of the reasons that NTIA should require the registration and certification of participating retailers. By committing to such a registration process, RadioShack believes that NTIA has taken an important first step in this area. As part of the participating retailer registration process, RadioShack and all other participating retailers will be required to certify that they have "systems or procedures that can be easily audited as well as systems that can provide adequate data to minimize fraud and abuse in retail redemption and government payment for coupons." As a major retail chain, RadioShack already has significant mechanisms in place to address the need for audits and the occurrence of fraud. However, as mentioned in other contexts above, we also await NTIA's selection of the Program Contractor and its implementation of the coupon program to more fully inform RadioShack of specific retailer requirements to guard against fraudulent schemes. RadioShack looks forward to working with NTIA's Program Contractor, CERC and the rest of the DTV Coalition in this area.

RadioShack and others also support NTIA's use of an electronic-based, automated coupon system as another method by which the government can prevent or mitigate fraud. Requiring consumers to request coupons that NTIA's Program Contractor distributes to them with a unique identification number should 1) prevent consumers from receiving more than the allotted number of coupons, 2) provide a method for tracking the use of the coupons distributed and 3) mitigate the possibility of counterfeit coupons.

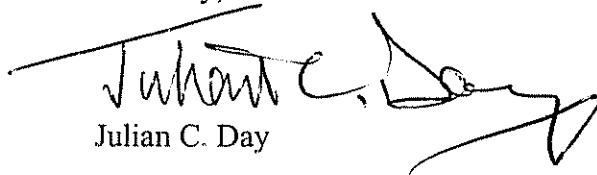
Has RadioShack considered initiating an industry-wide approach to identifying coupon-eligible converter boxes?

As a single retailer and participant in the converter box program, RadioShack is not in a position to initiate an industry-wide approach to identifying coupon-eligible converter boxes. If the federal government seeks such a standardized approach, RadioShack hopes to be part of that dialogue. With the coupon program just months from its start date, however, we believe that such an industry-wide approach may be difficult to implement.

While additional steps may be needed to ensure appropriate product identification, RadioShack hopes that NTIA's process will provide assurance to consumers in this area in at least two important ways. First, NTIA's rules require that each manufacturer seek certification and approval of each eligible converter box. Second, RadioShack and others recommended that NTIA provide in writing and on its website, a list of all eligible products to all consumers who request coupons – this will provide consumers with important information prior to even entering a participating retail store. Finally, it is RadioShack's understanding based on NTIA's final rule for the program, that the electronic and automated coupon process planned should prevent the consumer from utilizing a coupon for an ineligible product.

RadioShack understands that there are numerous outstanding issues relating to the federal government's implementation of the converter box program and that many of those issues may affect the elderly in particular. As a likely participant in the program, RadioShack looks forward to working with NTIA, the FCC and others in the DTV Coalition to address these issues. We also look forward to working with your Committee should you have additional questions once the NTIA program is implemented.

Sincerely,

A handwritten signature in black ink, appearing to read "Julian C. Day", written over a horizontal line. The signature is stylized and cursive.

Julian C. Day

JCD/dlf

The Honorable Herb Kohl
July 12, 2007
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cc (via fax and email): Cherie Wilson
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