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1 {York Stenographic Services, Inc.

2 HIF085.160

3 HEARING ON ``OVERSIGHT OF THE DIGITAL TELEVISION TRANSITION''

4 THURSDAY, MARCH 26, 2009

5 House of Representatives,

6 Subcommittee on Communications, Technology, and the Internet

7 Committee on Energy and Commerce

8 Washington, D.C.

9 The subcommittee met, pursuant to call, at 10:05 a.m.,
10 in Room 2322 of the Rayburn House Office Building, Hon. Rick
11 Boucher (chairman) presiding.

12 Members present: Representatives Boucher, Markey,
13 Weiner, Castor, Space, McNerney, Dingell, Stearns, Upton,
14 Shimkus, Blunt, Radanovich, Terry, Blackburn, and Barton.

15 Also present: Representatives Pierluisi and Inslee.

16 Staff present: Roger Sherman, Senior Counsel; Tim
17 Powderly, Counsel; Shawn Chang, Counsel; Amy Levine, Telecom
18 Counsel, Mr. Boucher; Pat Delgado, Policy Coordinator, Mr.

19 Waxman; Philip Murphy, Legislative Clerk; Greg Guice, FCC
20 Detailee; Neil Fried, Senior Minority Counsel; Amy Bender,
21 FCC Detailee; Will Carty, Minority Professional Staff; and
22 Garrett Golding, Minority Legislative Analyst.

|

23 Mr. {Boucher.} The subcommittee will come to order.
24 This morning we examine the status of the digital television
25 transition since the passage of legislation postponing the
26 final date for analog signal termination from February 17
27 until June 12. Much has occurred since that measure became
28 law. Under the thoughtful leadership of acting assistant
29 secretary for communications and information, Anna Gomez, the
30 waiting list for coupons, a major factor in our decision to
31 postpone the transition, has been cleared, and that truly is
32 a major accomplishment.

33 Coupons are now being sent to applicants by first class
34 mail so households will receive them more quickly. NTIA has
35 changed its guidelines and now allows households whose
36 previously-issued coupons had expired to reapply for coupons,
37 and many households are now doing so.

38 The FCC has bolstered its call centers, which at the
39 time we postponed the transition were due to inadequate
40 resources in total disarray. And the results of this
41 progress are clear. When we postponed the transition
42 according to the Neilson Service, 6.5 million homes were
43 totally unprepared for the transition and would have lost all
44 television service had the transition taken place as
45 originally scheduled on February the 17th. That 6.5 million

46 homes represented fully 5.7 percent of all television-viewing
47 households across the United States.

48 Today 4.1 million households remain unprepared; a number
49 that is 3.6 percent of the television-viewing public. That
50 is a major improvement, but much remains to be done to enable
51 the preparation of those homes that remain unprepared as of
52 the present time.

53 Congratulations are due to Ms. Gomez and to acting FCC
54 Chairman Michael Copps for this stewardship of the transition
55 at a truly difficult and challenging time. And I can say
56 this morning that I truly appreciate the work of both of
57 these outstanding public servants.

58 But challenges do lie ahead, and today's hearing has as
59 its purpose achieving a full understanding of those
60 challenges and the best means by which we collectively can
61 address them. And these questions, I think, need answers.

62 Will we have enough converter boxes to meet the demand
63 prior to June the 12th? I personally have some serious
64 concerns about whether a sufficient number of converter boxes
65 will be available in order to meet the demand under our
66 current forecast.

67 Could there be a spike in demand in the weeks prior to
68 June the 12th, similar to what was experienced during
69 December of last year and the early weeks of January this

70 year, and if it is reasonable to anticipate a spike in
71 demand, are we prepared for it? Will NTIA have the
72 mechanisms in place in order to meet that kind of elevated
73 demand?

74 And what steps are being taken to make technical
75 assistance available to homes in low income and rural areas
76 of the Nation where technical help typically is not readily
77 available?

78 Today's hearing will examine these and other future
79 needs as we prepare for the June 12 transition date. I want
80 to thank our witnesses for their participation this morning
81 and welcome each of them.

82 [The prepared statement of Mr. Boucher follows:]

83 ***** COMMITTEE INSERT *****

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84 Mr. {Boucher.} And at this time I am pleased to
85 recognize the ranking member of the subcommittee, the
86 gentleman from Florida, Mr. Stearns, for 5 minutes.

87 Mr. {Stearns.} Good morning, and thank you, Mr.
88 Chairman. This is a case where the glass is half empty or
89 half full, and in this case the glass is 95 percent full, and
90 we perhaps have a different view of this.

91 We opposed delaying the transition to June 12 from
92 February 17. We thought it was unnecessary since 95 percent
93 of the television homes were ready for the transition on
94 February 1 with 2 weeks still to go. And of the roughly six
95 million households that were still unprepared, just under
96 three million were holding coupons that simply could have
97 been used on February 17.

98 To help the remaining three million homes that were
99 still unprepared and didn't have coupons, Mr. Barton and I,
100 the ranking member and I, advocated authorizing an additional
101 \$215 million in early January. The NTIA said that they would
102 have allowed it to clear their waiting list in time to
103 continue with the transition. We even would have gotten most
104 of the money back at the end of the unused coupons.

105 We certainly had enough time to do so in light of the
106 fact that the delay act was passed only 5 business days after

107 its January 29 introduction. It appears we were right that
108 there was no need to delay. Despite significant arm
109 twisting, one-third of the Nation's 1,800 full power station
110 simply transitioned by February 17 anyway. The sky did not
111 fall.

112 The fear that consumers would overwhelm the system with
113 frantic telephone calls was simply unfounded. The FCC
114 received less than 20,000 calls a day from February 13 to the
115 19th, well within its capacity, and many of the calls were
116 just about how to set up the converter box, which are often
117 just simply resolved over the phone. All total, half the
118 Nation's full power stations covering 193 of the countries'
119 210 television stations will transition before the June 12
120 date.

121 But Congress did not delay. We decided to spend \$650
122 million for the transition, which simply put is a waste of
123 money and hurting the credibility of the Federal Government.
124 That money did not become available until June 2, excuse me,
125 March 2, yet between February 1 and March 1, even before a
126 single coupon was issued with the additional funds, 1.4
127 million more households simply became ready, with the number
128 of prepared households climbing to 96 percent. Of the 4.4
129 million households that still needed to take action to
130 continue receiving television service, approximately two

131 million were holding at least one active coupon.

132 This means we allocated about \$270 for each of the 2.4
133 million unprepared homes without a coupon, even though a
134 converter box simply costs under \$50. The fact that the
135 money was not available until March 2 is also why it took
136 until just this week to clear the waiting list, which
137 continued to grow all this time.

138 Now, that is the unfortunate history. Now we must try
139 to limit the harm. We could do so by dedicating \$350 million
140 of the funds for exclusively over-the-air homes which would
141 pay for two redeemed coupons for each of the 3.6 percent of
142 homes as of March 15 that are exclusively over the air and
143 still unprepared. Since we were concerned over such homes
144 that supposedly justified this delay, that is where we should
145 focus our attention. Otherwise all this headache and all
146 this expense will have been for nothing.

147 If we do focus on over-the-air homes rather than paid
148 television homes that are not in jeopardy of losing service,
149 we may get back more than half a billion dollars from both
150 the initial and the stimulus money once the transition is
151 completed. That is because the initial funding covering 33-
152 1/2 million redeemed coupons, only 26 million have been
153 redeemed as of March 18. By contrast, if we continue to
154 spend as much or more money on pay television homes as over-

155 the-air homes, the Administration may find it has not made a
156 significant dent in the four million remaining unprepared
157 homes. Let us not forget that there are more than six times
158 as money pay television homes than over-the-air homes.

159 In closing, Mr. Chairman, from February 15 to March 15
160 we went from 4.4 percent of all households unprepared to 3.6
161 percent. That is an improvement of only .8 percentage
162 points. Let us make sure that that is not all we get for the
163 \$650 million. Our consumer confusion, our headaches. Please
164 work with us to ensure that the NTIA and the FCC spends money
165 on over-the-air homes and saves the rest for something more
166 important. We may not agree on what that important thing is,
167 but I am sure we can find something better to spend the money
168 on these days than converter boxes for the vast majority of
169 homes that are already prepared for the transition.

170 Thank you, Mr. Chairman.

171 [The prepared statement of Mr. Stearns follows:]

172 ***** COMMITTEE INSERT *****

|
173 Mr. {Boucher.} Thank you very much, Mr. Stearns.

174 The gentleman from Massachusetts, Mr. Markey, former
175 chairman of this subcommittee, is recognized for 2 minutes.

176 Mr. {Markey.} Thank you, Mr. Chairman, very much, and I
177 want to commend you for holding this hearing on the digital
178 television transition and for assembling an excellent panel
179 of witnesses to testify this morning.

180 As you know, Mr. Chairman, this subcommittee conducted
181 six oversight hearings in the last Congress and received
182 three GAO reports at my request on the digital TV transition.
183 We tried very hard to keep people's feet to the fire and to
184 try to make the original date work.

185 Now that Congress has moved the date back to June 12, it
186 is important that we wisely use the additional time and the
187 additional resources to maximize consumer education and
188 outreach and to ensure that the least amount of disruption is
189 caused to consumers during this transition.

190 I want to commend acting FCC Chairman Copps for the
191 alacrity with which he has taken on the task of being our
192 Nation's quarterback on the transition. I also want to
193 salute his emphasis on the coordination he has effectuated
194 with his FCC colleagues; with the NTIA as well as with
195 consumer groups and with the television industry. I think

196 his testimony is an eye-watering dissection of what went
197 wrong but also a pathway to ensure that all will go right on
198 June 12.

199 I also wanted to commend Acting Assistant Secretary
200 Gomez of the NTIA for the diligent work she has performed,
201 along with IBM to eradicate the backlog of four million
202 coupons that were on the waiting list. Obviously much still
203 needs to be done to ensure success, and I believe the
204 testimony from the FCC and NTIA today provide a sound
205 blueprint for moving forward. While we have many
206 broadcasters already ceasing analog transmissions in many
207 smaller markets, we still have the largest stations in the
208 largest markets looming for our flash cutoff on June 12. It
209 is important to execute this well. I look forward to working
210 with you, Mr. Chairman, and with Chairman Waxman, Ranking
211 Members Barton and Stearns to ensure that we meet this date
212 and that the American public feels that the government did
213 its job.

214 Thank you, Mr. Chairman.

215 [The prepared statement of Mr. Markey follows:]

216 ***** COMMITTEE INSERT *****

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217 Mr. {Boucher.} Thank you very much, Mr. Markey.

218 The gentleman from Michigan, Mr. Upton, is recognized

219 for 2 minutes.

220 Mr. {Upton.} I am going to defer.

221 [The prepared statement of Mr. Upton follows:]

222 ***** COMMITTEE INSERT *****

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223 Mr. {Boucher.} The gentleman from Michigan defers his
224 opening statement and will have 2 minutes added to his
225 questioning time for the first panel of witnesses.

226 The gentleman from Illinois, Mr. Shimkus, is recognized
227 for 2 minutes.

228 Mr. {Shimkus.} Thank you, Mr. Chairman.

229 For over 50 years we have had April 15 as the tax filing
230 day, and it is coming upon us, and again this year we will
231 have millions of people who will not file on time. And that
232 will be true come June 12. And that was true in February,
233 and as much government money and advertisement as we want to
234 throw at it will not change that fact.

235 Let us see. We have, by this Congress and this
236 Administration a carbon tax that will destroy the economy, we
237 have a plan for a one-payer healthcare system that will
238 ration healthcare for all, we have a reckless spending agenda
239 that will bankrupt this country, but what we could do in this
240 debate, in this hearing, Mr. Chairman, is find out how we can
241 save \$600 million.

242 Now, I know in this Congress that is not a lot of money
243 but for most Americans it is, and that is what I hope we
244 address in this hearing and these questions.

245 I yield back my time.

246 [The prepared statement of Mr. Shimkus follows:]

247 ***** COMMITTEE INSERT *****

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248 Mr. {Boucher.} Thank you very much, Mr. Shimkus, for
249 your normal moderate statement. He and I are friends. He
250 knows I can say that and get away with it.

251 The gentleman from Ohio, Mr. Space, is recognized for 2
252 minutes.

253 Mr. {Space.} Thank you, Mr. Chairman. I appreciate the
254 opportunity to come together today to discuss progress made
255 towards this Nation's full conversion to digital television.
256 It is very clear to me that this process has not been an easy
257 one. Rather our shift from analog to digital has involved a
258 significant amount of time, energy, resources, and
259 creativity. And further such efforts are ongoing,
260 necessarily providing support for months to come.

261 Whether one favored the delay or not, I think most will
262 agree that because of the phased approach we find ourselves
263 in now we have learned some very good lessons that continue
264 to enable us to adjust and improve consumer outreach and
265 education. The NTIA, the FCC, our broadcasters, cable
266 providers, retailers, suppliers, service groups, public
267 entities, local officials have all truly joined forces in an
268 effort to shepherd the transition through to completion.

269 In Ohio's 18th district WOSU, the PBS station out of
270 Columbus, Ohio, has done some very good work in preparing our

271 communities. Through an FCC contract WOSU has been able to
272 provide DTV outreach through walk-in centers, a call center,
273 and installation assistance and numerous public events. They
274 partnered with Life Care Alliance and the Central Ohio Area
275 Agency on Aging to reach thousands of the estimated 100,000
276 over-the-air households in Ohio, many of which are senior
277 citizens. WOSU's DTV coupon donation program received
278 national recognition from PBS and served as a model for other
279 communities across the country.

280 I understand that there is much more to be done, but I
281 believe WOSU's case serves as an example of how members in
282 the community can work together to ensure that all citizens
283 have the information they need to prepare for the last phases
284 of the digital transition.

285 I look forward to hearing from our witnesses and thank
286 you, again, Mr. Chairman, for calling attention to this
287 issue.

288 [The prepared statement of Mr. Space follows:]

289 ***** COMMITTEE INSERT *****

|
290 Mr. {Boucher.} Thank you very much, Mr. Space.

291 The gentleman from Nebraska, Mr. Terry, is recognized
292 for 2 minutes.

293 Mr. {Terry.} Thank you, Mr. Chairman, for holding
294 today's hearing, and I appreciate our witnesses being here to
295 help us through.

296 In informance of the current status and as probably many
297 on this committee know I was vocally opposed to the delay,
298 knowing that there is always going to be a certain percentage
299 of people that are never ready, and we can't just delay
300 something because people didn't get ready or we didn't get to
301 100 percent.

302 Now, one TV station in my market still held with the
303 February date, and that is WWT. It is interesting on the
304 transition date how few calls they received. Many of us were
305 prepared for an onslaught of thousands, and it turned out to
306 be a few hundred. They had phone banks ready, United Way,
307 211, and we just didn't see the level of activity. And most
308 of the complaints that were coming in they needed help with
309 the scan.

310 Thirty-three inquiries on that date were about how to
311 get a coupon, that they did not have a coupon. Now, out of a
312 DMA of 412,000 people and 33 of the inquiries were how do I

313 get a coupon now since we just lost channel six is a very
314 tiny percentage, and that is eight-one thousandths of 1
315 percent.

316 So I appreciate the boldness of WWT channel six for
317 going forward because I am now convinced on June 12 the calls
318 will probably be the dozens and not the hundreds, and there
319 is probably very few out there that are left that aren't
320 prepared.

321 So I wanted to thank them publicly and in fact, Mr.
322 Prather is from Bray TV, the owner of the TV station this
323 year on the next panel, and I welcome you.

324 I yield back.

325 [The prepared statement of Mr. Terry follows:]

326 ***** COMMITTEE INSERT *****

|
327 Mr. {Boucher.} Thank you very much, Mr. Terry.

328 The gentleman from California, Mr. McNerney, is
329 recognized for 2 minutes.

330 Mr. {McNerney.} Mr. Chairman, I am going to waive my
331 opening statement.

332 [The prepared statement of Mr. McNerney follows:]

333 ***** COMMITTEE INSERT *****

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334 Mr. {Boucher.} Thank you very much, Mr. McNerney. I
335 see that the gentleman from Michigan, Mr. Dingell, Chairman
336 Emeritus of our committee has joined us, and the gentleman is
337 recognized for 5 minutes.

338 Mr. {Dingell.} Mr. Chairman, you are most kind and
339 courteous, and I thank you. I commend you for the initiative
340 that you are showing and making certain that the DTV
341 transition is subject to adequate oversight and is properly
342 conducted.

343 As we are all painfully aware the DTV transition has
344 been fraught with great difficulty since it was mandated in
345 2005, and particular grave errors by the National
346 Telecommunications and Information Administration, NTIA, and
347 the Federal Communications Commission, the FCC, during the
348 previous Administration in their management of the DTV
349 converter box coupon program and consumer education efforts
350 were in large part to blame for the Congress's passage of
351 legislation to postpone the DTV transition date.

352 As I support no further postponement of this deadline, I
353 look forward to cooperating with you, Mr. Chairman, in robust
354 oversight of the programs associated with DTV. And I would
355 urge you to continue your vigorous efforts in this matter
356 because I have great fears that the transition will be

357 successful unless it is watched very closely. And to see to
358 it that it works in a way which his going to create minimal
359 inconvenience to the Nation's consumers.

360 During numerous hearings in the 110th Congress I asked
361 representatives of NTIA whether they had sufficient funding
362 for the converter box program. Despite a report in 2008, by
363 the Government Accountability Office that NTIA would be
364 unprepared to cope with a surge in consumer demand for
365 converter coupons, NTIA consistently stated that it had
366 adequate funding with which to meet consumer demand for these
367 coupons and to see to it that and assured us that the coupons
368 were both sufficient in number and being properly handled.

369 This as we recently have learned was patently false, and
370 I think we have to get NTIA's commitment today that it will
371 be forthright and cooperative with the Congress in making
372 certain that the converter box program is properly
373 administered with a view towards providing coupons to every
374 consumer who applies for them and to assure that the conduct
375 of the program is done well, expeditiously, and that we don't
376 have to contemplate the extension again of a program that has
377 already gone on over long.

378 Similarly, I look forward to a frank discussion with the
379 FCC about the role that it plays in consumer education and
380 outreach about the DTV transition. Prior attempts at these

381 vital activities were disastrously mismatched and proven to
382 be largely ineffectual, something that we must strive to
383 avoid at all costs in moving forward.

384 Also, because of the DTV Delay Act, extending FCC's
385 authority to auction spectrum, we must ask frank questions
386 about the agency plan for preventing waste, fraud, and abuse
387 in these auctions, which have to my experience rarely been
388 well conducted.

389 I hope to have a productive conversation with our other
390 witnesses about several additional issues related to this
391 matter, including ongoing concerns of many people about DTV's
392 transition effect on low income persons, minorities, and
393 elderly populations, and the financial capacity of public
394 television broadcasters to cope with the transition and the
395 adequacy and availability of the supply of computer boxes to
396 meet the consumer demand.

397 Again, Mr. Chairman, I want to thank you for your
398 enlightened interest in seeing to it that the Nation's
399 transition to digital television is properly conducted and
400 does not cause vast inconvenience to the people we serve.

401 I yield back the balance of my time.

402 [The prepared statement of Mr. Dingell follows:]

403 ***** COMMITTEE INSERT *****

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404 Mr. {Boucher.} Thank you very much, Chairman Dingell,
405 for those remarks.

406 The gentlelady from Tennessee, Ms. Blackburn, is
407 recognized for 2 minutes.

408 Ms. {Blackburn.} Thank you, Mr. Chairman. Welcome to
409 Mr. Copps, and I want to welcome Ms. Gomez. I think this is
410 your first appearance with us, so we welcome you. And thank
411 you for the hearing, sir. I appreciate that.

412 Fortunately for consumers and members of the
413 subcommittee, the world didn't come to an end on February 17
414 when stations began transitioning to an all digital signal.
415 In the seventh district alone in Tennessee, my Congressional
416 district, eight full power broadcast stations have already
417 made a full digital transition in advance of the June
418 deadline, and three more are slated to make that move by May
419 1.

420 This parallels the national trends, where roughly one-
421 third of full power broadcast affiliates have already made
422 the switch. Federal and private sectors officials report
423 minimal customer disturbance. That is a good thing.

424 In short, this is working. This is no doubt a product
425 of a vigorous public, private partnership invested in an
426 unprecedented public education campaign, funded in large part

427 by our Nation's broadcasters and cable television providers.
428 In the intervening period between passage of the DTV Delay
429 Act and the committee's proceedings today, the NTIA is now
430 current in distributing converter box coupons, the must
431 ballyhooed two million customer waiting list is cleared, and
432 NTIA claims to be processing new requests in less than 2
433 weeks per requesting consumer. This is certainly positive,
434 and I congratulate the agency for its diligent work.

435 The question we must ask while Congress considers a
436 budget resolution that will increase federal spending to 28.5
437 percent of our Nation's GDP, is it what cost? The DTV Delay
438 Act and companion funding from H.R. 1 unleashed the federal
439 flood gates to the tune of \$650 million to aid a transition
440 that was already running smoothly. And I realize that in DC
441 that is not a lot of money, but where I come from it is, and
442 I believe that money must be recouped, if possible, on behalf
443 of the American taxpayer when the DTV transition is complete.

444 As I stated during consideration of the DTV Delay Act
445 Congress's priority must be to ensure connectivity for
446 exclusively over-the-air homes, remaining from the overall
447 group of 4.1 million unprepared households.

448 Thank you, Mr. Chairman. I appreciate the time, and I
449 yield back.

450 [The prepared statement of Ms. Blackburn follows:]

451 ***** COMMITTEE INSERT *****

|
452 Mr. {Boucher.} Thank you very much, Ms. Blackburn.

453 The gentlelady from Florida, Ms. Castor, is recognized
454 for 2 minutes.

455 Ms. {Castor.} Thank you, Mr. Chairman, and welcome to
456 our witnesses.

457 At the outset of the Obama Administration they learned
458 that the switch to DTV had been badly mismanaged. Millions
459 of Americans who had applied for converter coupons languished
460 on waiting lists while the February deadline approached.
461 Consumer education programs have been successful, but over
462 six million households were completely unprepared. The
463 affected households tended to be disadvantaged with the
464 elderly and non-English speakers particularly hard hit.

465 Worse, progress in setting up call centers to deal with
466 the inevitable confusion of transition day was almost non-
467 existent. In short, millions of televisions were on a
468 trajectory to go dark on February 17 without adequate
469 resources to help them navigate the transition.

470 Congress was forced into a difficult decision to delay
471 the transition until June. Since then everyone has made
472 significant progress in reaching households and helping them
473 prepare. Since the passage of the DTV delay 2.4 million
474 digital converter coupons have been redeemed. Replacement

475 coupons have been sent, households that inadvertently allowed
476 their coupons to--households that had been aware their
477 coupons had expired, even better, first class mail rather
478 than the bulk rate was employed to avoid further delays.
479 Call centers are going up, and the number of bilingual
480 operators has increased so that all Americans are able to get
481 help with the transition if they need it.

482 I encourage everyone to continue to work diligently to
483 ensure that the DTV transition in June goes smoothly and that
484 the most vulnerable Americans are not left behind. I am
485 confident that we can do this, and I look forward to your
486 testimony.

487 [The prepared statement of Ms. Castor follows:]

488 ***** COMMITTEE INSERT *****

|
489 Mr. {Boucher.} Thank you, Ms. Castor.

490 The gentleman from New York, Mr. Weiner, is recognized
491 for 2 minutes.

492 Mr. {Weiner.} Thank you, Mr. Chairman, and thank you
493 for holding this hearing. If anyone doubts the power of
494 Congressional oversight, I would note that in preparation for
495 today's hearing on Tuesday alone 91,000 people requested
496 coupons, and last week I guess in anticipation of your tough
497 questions 1.6 million, if I am reading this right, coupons
498 were issued, more than just about any other month in recent
499 months.

500 I acknowledge what our colleague from Illinois points
501 out that there are a lot of people who were left out in the
502 cold, and maybe the solution was to just turn off their
503 television coverage, which would have been the result of the
504 transition when it was originally scheduled. As with so many
505 things this Congress is endeavoring to do, we are mopping up
506 for the last Administration. We are going to be doing that a
507 lot. We are going to be taking mistakes that were made and
508 trying to fix them.

509 But I don't know who we would have punished by saying,
510 okay, tough tacos, you are going to lose your service. And I
511 think Congress was not prepared to do that. There were a lot

512 of mistakes that were made, but I hope we also use this
513 opportunity to take advantage of the glitch. Mr. Copps
514 points out in his testimony something that others have
515 observed that having this as a staged transition might have
516 been the better way to go originally, you know, doing it--
517 what other nations have done to give an opportunity to learn
518 stage by stage. Maybe we can take this window of time that
519 has been presented by some transition and going on to learn
520 some of the lessons.

521 I think there was a pretty, there was some wisdom in
522 arguing to do that at the outset, and maybe if we use this
523 opportunity, we do what our friend Robin Manuel refers to not
524 letting any crisis go to waste, maybe this is also an
525 opportunity for us to learn, and I appreciate the chairman
526 holding this hearing to permit us to do that.

527 [The prepared statement of Mr. Weiner follows:]

528 ***** COMMITTEE INSERT *****

|
529 Mr. {Boucher.} Thank you very much, Mr. Weiner.

530 The gentleman from Washington State, Mr. Inslee, who has
531 since departed.

532 The gentleman from Puerto Rico, Mr. Pierluisi, not a
533 member of the Commerce Committee, has been welcomed to our
534 hearing today, and I am pleased to now recognize him for 2
535 minutes.

536 Mr. {Pierluisi.} Chairman Boucher, Ranking Member
537 Stearns, members of the subcommittee, thank you for providing
538 me with the opportunity to speak today.

539 I asked to participate in this hearing because I think
540 it is appropriate for the record to reflect that the DTV
541 transition has been especially problematic for the many of
542 the four million U.S. citizens I represent. Now that the
543 transition date has been extended until June, it is my hope
544 that the deficiencies in planning that gave rise to these
545 problems can be addressed. I know that today's oversight
546 hearing reflects your determination, Mr. Chairman, to make
547 certain that recent history does not repeat itself.

548 I want to emphasize at the outset that the problems
549 experienced in Puerto Rico to date did not result from lack
550 of awareness on the island about the transition. Community
551 and media organizations serving Puerto Rico, working in

552 conjunction with the Commerce Department, did a terrific job
553 of informing consumers about the steps that they needed to
554 take in order to avoid a loss of service. I think this
555 stands in contrast to certain jurisdictions in the states,
556 where outreach efforts were less successful.

557 In a somewhat ironic twist, however, residents of Puerto
558 Rico encountered problems precisely because they heeded this
559 guidance too well. Upon being advised of the impending
560 transition, my constituents did not hesitate. They applied
561 for coupons quickly and in droves. The sheer number of
562 coupon requests made from households in Puerto Rico should
563 not have come as a surprise. It is common knowledge that
564 Puerto Rico relative to the states has a large percentage of
565 residents that rely on analog TVs.

566 Although Puerto Rico ranks about 25th in total
567 population size among U.S. jurisdictions, island residents
568 have sought more coupons than all but seven states. As of
569 March 17, about 2.1 million coupons had been requested by the
570 island. This is about 80 percent of the amount requested by
571 New York, a State with five times our population. And it is
572 roughly three times the amount requested by Kentucky or
573 Oregon, which have comparable population sizes.

574 For some island residents who requested these coupons,
575 the system worked as designed. They received the coupon,

576 went to a participating island retailer, and used the coupon
577 to offset the cost of the converter box. But for far too
578 many of my constituents the process did not proceed as
579 planned. As in the states some households in Puerto Rico
580 requested coupons but were placed on a waiting list because
581 demand exceeded supply.

582 Other households obtained a coupon but found their local
583 retailers no longer had boxes in stock, and therefore, had to
584 wait. While they waited their 90-day coupon expired. Based
585 on intuition and some anecdotal evidence, I think this
586 scenario may have been more common in Puerto Rico than in any
587 other jurisdictions.

588 In August, 2008, letter sent in response to Puerto
589 Rico's request that coupons be reissued to individuals whose
590 coupons had expired, the Secretary of Commerce--

591 Mr. {Boucher.} Let me ask the gentleman if he could
592 wrap up. He is well--a minute beyond his time at this point.

593 Mr. {Pierluisi.} Okay. I will wrap it up.

594 Mr. {Boucher.} Thank you.

595 Mr. {Pierluisi.} Noted that the law did not prohibit an
596 individual whose coupon had expired from obtaining for free
597 an unexpired coupon from a generous friend or family member.
598 Frankly, that was a way to go, but it didn't help.

599 My purpose today is not to cast blame, because that is

600 not constructive and because there is probably enough to go
601 around. I want to look forward, not back, and to make sure
602 that we do what is necessary before June to make this
603 transition as seemly, seamless as possible.

604 [The prepared statement of Mr. Pierluisi follows:]

605 ***** COMMITTEE INSERT *****

|

606 Mr. {Boucher.} Thank you very much, Mr. Pierluisi.

607 Mr. {Pierluisi.} Thank you, Mr. Chairman.

608 Mr. {Boucher.} The gentleman from Washington State, Mr.

609 Inslee, is recognized for 2 minutes.

610 Mr. {Inslee.} I will waive, Mr. Chair.

611 [The prepared statement of Mr. Inslee follows:]

612 ***** COMMITTEE INSERT *****

|
613 Mr. {Boucher.} Thank you very much, Mr. Inslee.

614 We now turn to our first panel of witnesses, and I am
615 pleased--I am sorry. Were you--I am sorry, Mr. Blunt.

616 Mr. {Blunt.} Mr. Chairman, I don't want to slow up the
617 panel, and I will just--

618 Mr. {Boucher.} I didn't see you arrive. Mr. Blunt, you
619 are recognized for 2 minutes.

620 Mr. {Blunt.} Thank you, Mr. Chairman. I will submit a
621 statement for the record. I am pleased you are having this
622 hearing. Certainly in my Congressional district I think all
623 of our transition will be done by the middle of April. One
624 of our stations already made their transition by themselves
625 on February the 17th. I think they were convinced that their
626 analog equipment might not last much longer than that, and I
627 am going to be interested to see how this scattershot
628 transition that we are now in occurs around the country, but
629 I am anxious to hear the witnesses. I am glad you had the
630 hearing, and I will submit a statement for the record.

631 [The prepared statement of Mr. Blunt follows:]

632 ***** COMMITTEE INSERT *****

|
633 Mr. {Boucher.} Thank you very much, Mr. Blunt.

634 We now welcome our first panel of witnesses, and we are
635 honored to have with us this morning the acting chairman of
636 the Federal Communications Commission, Mr. Michael Copps, a
637 longstanding member of the commission, and also the acting
638 assistant secretary for communications and information at the
639 Department of Commerce, Ms. Anna Gomez. And without
640 objection your prepared written statements will be made part
641 of the record. We would welcome your oral summaries. Please
642 keep those to approximately 5 minutes so that we have ample
643 time for questions.

644 And Mr. Copps, we will be pleased to begin with you.

|
645 ^STATEMENTS OF MICHAEL J. COPPS, ACTING CHAIRMAN, FEDERAL
646 COMMUNICATIONS COMMISSION; AND ANNA GOMEZ, ACTING ASSISTANT
647 SECRETARY FOR COMMUNICATIONS AND INFORMATION, U.S. DEPARTMENT
648 OF COMMERCE

|
649 ^STATEMENT OF MICHAEL COPPS

650 } Mr. {Copps.} Good morning, Chairman Boucher, Ranking
651 Member Stearns--

652 Mr. {Boucher.} And just a little technical matter for
653 the Chairman of the FCC, could you turn your microphone on,
654 please? Thank you.

655 Mr. {Copps.} Thank you very much. I have a formal
656 statement that I request be included in the record.

657 Mr. {Boucher.} Without objection.

658 Mr. {Copps.} Thank you for inviting me this morning.

659 Priority number one for me since my appointment as
660 acting chair 2 months ago has been to shepherd the DTV
661 transition to smoother pastures. We strive each day to carry
662 out the provisions of the Delay Act in such a way as to ease
663 the transition for millions of anxious viewers while at the
664 same time providing legislatively-mandated flexibility and
665 balance for our TV stations.

666 We had no detailed roadmap for this. What we had and
667 have the commitment to get this job done better than it was
668 getting done. Every day my FCC team and I rely to achieving
669 a successful balanced outcome. Some may think we have erred
670 too much one way. Others may say the other. At the end of
671 the day maybe all I can ask is for what Harry Truman once
672 said should be his epitaph, ``We are trying our damndest.''

673 It was clear to me long before I became acting chair and
674 had a chance to look under the hood that the country was not
675 ready for a nationwide transition on February 17, not with
676 the coupon program out of money and a long waiting list. Not
677 with rampant consumer confusion that I saw everywhere I
678 traveled. Not absent provisions for hands-on community
679 assistance, particularly for the most vulnerable of our
680 populations. There was no coordinated plan, no one making
681 sure that the private and public sectors had every
682 opportunity to combine their assets and get this job done,
683 that neither of us could do alone but that working together
684 we might just have a shot at even at this late date.

685 Thank you for the Delay Act. It clearly recognized that
686 consumers were not ready for February 17, and it gave them a
687 few extra months to prepare. The Act made it possible to
688 avoid a consumer backlash of high order in February, but we
689 are nowhere near out of the woods. Little more than a third

690 of our full power commercial stations have transitioned, and
691 at this point only 2.5 percent of households are in markets
692 that have completely transitioned to digital.

693 So I am happy to look back today, but this is a story
694 whose main chapters remain to be written. Now, some may say
695 that we won't be ready on June 12 either, and that there will
696 still be consumers left behind, and it is true. This
697 transition will not be seamless. You can count on some level
698 of confusion, that level being determined by how well we do
699 our job between now and June 12. There is time to make a
700 real difference.

701 Here is some of what we are doing at the FCC to learn
702 from the past and make that difference. We are focusing day
703 and night on consumer education. We are repackaging our
704 messages and adding vital new components to them. Starting
705 April 1, for example, stations must modify their, notify
706 their viewers about specific areas that may lose signal
707 coverage no matter what consumers do, about the possible need
708 for new antennas, and the need to rescan.

709 Stations also must publicize the location and operating
710 hours of walk-in centers and telephone contact information
711 for the station and the call center. We are going to do
712 everything we can to put boots on the ground. One lesson we
713 have learned is the urgent need for hands-on assistance,

714 including walk-in help centers and in-home assistance for
715 consumers who need it, and there are lots of them. Seniors,
716 folks with disabilities, citizens for whom English is not the
717 primary tongue. So we are finalizing agreements with
718 AmeriCorps and fire fighters to provide outreach and in-home
719 assistance to consumers across the country, and we will be
720 soliciting bids from other organizations. While we will be
721 serving all markets, we will put special focus working with
722 NTIA on a target list of 49 hot spots that are particularly
723 risky.

724 And we will deploy a viable call center system to
725 respond to calls for help. We have been working closely with
726 our industry partners to establish a single, nationwide
727 number for consumers to call. Our cable and broadcast
728 industries really stepped up to the plate on this. With a
729 few months to go we can now take it to the next level to
730 provide more in-depth training for agents to handle longer
731 and more technical calls and to improve the tools available
732 to them for handling problems and referring consumers to help
733 centers and other resources.

734 There is another problem I have briefly to mention.
735 Signal coverage. For all of its bounty, the digital signal
736 propagates differently than analog. Stronger in some places,
737 it is weaker in others. For 2 years I pressed without much

738 success for more studies and analysis of these differences
739 because in some cases viewers are not going to receive these
740 signals even if they have their boxes and their antennas
741 hooked up. We are trying to deal with this, but even with
742 the things we can begin to do like distributed transmission
743 systems and fill-in translators, solutions are not going to
744 be everywhere in place by June.

745 I believe consumers have a right to know this, and that
746 is why we are requiring stations to notify viewers of
747 coverage problems, and that is why we launched a new tool on
748 our website where consumers can type in their home addresses
749 and find out what stations they should be able to receive and
750 what kind of antennas they might need to receive them.

751 Before I close I would like to recognize the efforts and
752 sacrifices of our FCC team, as fine a group of public
753 servants that I have encountered in my years in Washington.
754 I thank my two friends and colleagues, Commissioner Jonathan
755 Adelstein and Rob McDowell for their tireless outreach and
756 the leadership they and their staffs provide.

757 I thank Assistant Secretary Gomez and her talented team
758 at NTIA for bringing a real sense of urgency to our new level
759 of inter-agency cooperation. Huge thanks go to industry,
760 broadcast, cable, satellite, consumer electronics, retailers,
761 and others. We have a real partnership with them now, like I

762 have been pushing for for years. I thank all the consumer
763 civil rights, religious, and public interest groups who
764 worked on behalf of the citizens of this great country, and a
765 final thanks to so many everyday citizens across this land
766 who reach out to help a friend, a relative, or a neighbor.
767 Tip O'Neil once said that all politics is local. Well, the
768 DTV transition is local, too. In fact, it is downright
769 personal, and it will require that personal touch if we are
770 to succeed. Working together we can and we will make a huge
771 difference for consumers.

772 Thank you again for the opportunity to testify today. I
773 would be happy to hear your comments, suggestions and try to
774 respond to any questions that you may have.

775 [The prepared statement of Mr. Copps follows:]

776 ***** INSERT A *****

|

777 Mr. {Boucher.} Thank you very much, Chairman Copps.

778 Ms. Gomez. And you might pull that microphone a bit

779 closer.

|
780 ^STATEMENT OF ANNA GOMEZ

781 } Ms. {Gomez.} Thank you, Chairman Boucher, Ranking
782 Member Stearns, and members of the subcommittee. Thank you
783 for your invitation to testify this morning on the DTV
784 transition and the TV converter box coupon program. I am
785 Anna Gomez, and I serve as the Acting Assistant Secretary of
786 Commerce for Communication and Information.

787 To date the coupon program has distributed 52.7 million
788 coupons to more than 29 million U.S. households. Of these,
789 consumers have redeemed nearly 26 million coupons at
790 participating retailers for digital-to-analog converter
791 boxes, and we will likely have many more requests for coupons
792 before the program concludes.

793 As you all are aware, the DTV transition and the coupon
794 program were in a crisis situation at the beginning of this
795 year when we hit our coupon funding limit and were forced to
796 create a waiting list for millions of coupon requests. We
797 have made much progress since then, but we still have much
798 work to do. From my first day at NTIA last month I have made
799 it a top priority to minimize the number of people who could
800 lose over-the-air TV as a result of the analog shutoff.

801 Thanks to the foresight and leadership of the President

802 and Congress with the passage of the Delay Act last month,
803 millions more people will have the opportunity to get
804 prepared for the transition and to take advantage of the
805 coupon program.

806 In addition to extending the transition date, the Delay
807 Act extended the deadline for coupon applications to July 31,
808 authorized us to reissue coupons to consumers whose coupons
809 expired without being redeemed, and provided use with
810 flexibility to deliver coupons by faster means.

811 The Recovery Act provided \$650 million in funding to
812 implement these new improvements. Of that at least \$490
813 million will be used for the distribution of at least an
814 additional 12.25 million coupons. Up to 90 million will be
815 available for consumer education and technical assistance,
816 and 70 million will cover the cost of distribution and other
817 administrative expenses.

818 We appreciate the flexibility Congress provided by
819 permitting NTIA to increase the allocation for coupons and to
820 prioritize coupon distribution to consumers totally reliant
821 on over-the-air broadcast service if necessary. This
822 flexibility will enable us to adjust quickly to meet the
823 needs of this unprecedented effort.

824 We also moved swiftly to make related modifications and
825 improvements to our operational systems. In addition, we are

826 now distributing all coupons using first class mail. All
827 these actions are expected to reduce delivery time for
828 coupons from 21 to 9 business days approximately.

829 Most importantly I am pleased to report that 5 days ago
830 the coupon program was able to eliminate entirely the waiting
831 list for coupons. We are, again, able to fulfill coupon
832 requests as they are received and approved.

833 As important as these additional coupons and process
834 improvements are to the success of the digital transition,
835 our education and outreach efforts are just as vital. We are
836 tailoring these efforts to educate people of the various ways
837 to become ready now for the digital transition, but it by
838 obtaining a converter box with or without a coupon, by buying
839 a digital television, or by subscribing to a pay television
840 service. We want to do everything we can to ensure that
841 those who need help can get it.

842 We are also making improvements to our outreach efforts
843 based on lessons we have learned. For example, beginning
844 last month the FCC, NTIA, and the White House significantly
845 ramped up our coordination and accelerated efforts to ensure
846 consumers have the information and assistance they need.

847 We are also redoubling our efforts with the public,
848 private partnerships that have already helped millions of
849 households prepare for the DTV transition. Our non-profit

850 partners, for example, have served a vital feet-on-the-ground
851 function to help inform the public of the new transition
852 deadline and to assist those who still need to prepare. I
853 would especially like to recognize the efforts of the
854 Leadership Conference on Civil Rights Education Foundation
855 and the National Association of Area Agencies on Aging or
856 N4A, who receive NTIA grants to provide outreach and
857 assistance to targeted populations. Thanks to the additional
858 funds provided by Congress, NTIA grants to both of these
859 organizations will be extended through the summer, allowing
860 them to continue their outstanding efforts to help people
861 prepare.

862 We also have learned that more outreach to vulnerable
863 populations is needed, along with new and creative approaches
864 to reach these consumers. We are, therefore, recalibrating
865 our messaging and outreach activities and undertaking various
866 public education activities to respond to our current
867 challenges. For example, in addition to running paid ad and
868 public service advertising through radio and print outlets
869 and on transit systems and bus shelters and key markets, we
870 are developing new training modules that can be used by our
871 partners, grantees, and others to ensure consistency and
872 accuracy of our messaging.

873 In conclusion, Mr. Chairman, let me thank you again for

874 extending the transition deadline and providing NTIA with
875 critically-needed funding for additional coupons and consumer
876 outreach. Thanks also to Chairman Copps, Commissioners
877 Adelstein and McDowell, and the NTIA and FCC staff for their
878 ongoing commitment to a successful DTV transition and for
879 working with us to maximize our effectiveness.

880 Finally, I would also like to note that Commerce
881 Secretary Locke is fully committed to ensuring the success of
882 the DTV transition and is already focused on the clarity and
883 quality of our consumer education efforts. With all of us
884 working together we can usher in a successful end to the DTV
885 transition.

886 And I will be happy to answer your questions. Thank
887 you.

888 [The prepared statement of Ms. Gomez follows:]

889 ***** INSERT B *****

|
890 Mr. {Boucher.} Thank you very much, Ms. Gomez, Chairman
891 Copps. We appreciate your testimony this morning and
892 congratulations to both of you on a job well done in managing
893 this transition through a difficult, very difficult period.

894 Ms. Gomez, as I suggested in my opening statement, I am
895 concerned about whether or not there are going to be enough
896 converter boxes available to meet the demand that will arise
897 between the present time and June the 12th, and I make
898 reference to the document which your office prepared with
899 data as of 4:00 yesterday afternoon that indicates that there
900 are currently about 9.2 million, almost 9.3 million active
901 coupons in circulation. These are coupons that you have
902 issued, that have been mailed, that as of this moment have
903 not been redeemed.

904 And I understand that the current redemption rate for
905 coupons is approximately 60 percent. Is that correct?

906 Ms. {Gomez.} That is right.

907 Mr. {Boucher.} And so if you just do the simple math,
908 60 percent of 9.2 million would be 5.5 million converter
909 boxes that we could expect to be claimed based upon
910 redemptions of the coupons currently in circulation. And
911 that number does not take into account the purchase of
912 converter boxes without coupon support, some amount of which

913 happens, and it certainly doesn't take into account the new
914 demand for converter boxes that will arise based on coupons
915 issued from this day forward, which will be now on June the
916 12th.

917 And so we can reasonably estimate that the demand for
918 converter boxes is going to be well beyond this 5.5 million
919 converter box number, and that is the number we know as of
920 today based on the current redemption rate just on coupons
921 already issued.

922 The Consumer Electronics Association will testify later
923 this morning that they anticipate only about 4.2 million
924 converter boxes being needed all the way to June the 12th,
925 and just based on the math I have done here and reported that
926 seems to me to be a very low number.

927 So my question to you is do you share that concern? And
928 do you have any information that can enlighten up about the
929 total projection of converter boxes that may be needed up
930 until June 12?

931 Ms. {Gomez.} Yes. Actually, I do share that concern.
932 We--about whether inventory--

933 Mr. {Boucher.} Is your microphone on, Ms. Gomez? If
934 not, pull it--

935 Ms. {Gomez.} I do share that concern.

936 Mr. {Boucher.} All right. Good.

937 Ms. {Gomez.} Sorry. About whether inventory levels
938 will be sufficient to get us through the end of not just June
939 12 but the demand that will also follow beyond June 12. Up
940 until now the inventory levels have been good, and we have
941 terrific retailers that voluntarily participate in our
942 program. In order to be able to participate in our program,
943 they do have to follow some rules, and our rules require
944 those participating retailers to maintain inventory at
945 commercially-reasonable levels.

946 In order to keep our retailers informed of the demand at
947 least from the coupon program, we do have a specific program
948 that is geared completely towards keeping retailers informed
949 about request rates. We do this by zip code. We have a lot
950 of information on our website that is dedicated to providing
951 retailer information. So our efforts are to ensure that
952 retailers understand in their areas where they need to be
953 maintaining a certain amount of inventory. And then
954 retailers, if needed, can order boxes with sufficient amount
955 of time.

956 It was good news to hear I think at your last hearing
957 that the manufacturers were going to be able to manufacture
958 boxes in a shorter timeframe, but it certainly is something
959 that is worth keeping an eye on because if every coupon is
960 redeemed, there won't be sufficient boxes to meet that

961 demand.

962 Mr. {Boucher.} Okay. Thank you very much. Let me ask
963 you one additional question. Some on this panel have
964 suggested that you should only send coupons to over-the-air-
965 only households. In other words, households that have no
966 cable or satellite subscription but rely completely on over-
967 the-air television to receive service.

968 I disagree with that. I think those households clearly
969 should be the priority--

970 Ms. {Gomez.} Uh-huh.

971 Mr. {Boucher.} --but I think that households that have
972 a cable or satellite subscription but perhaps have
973 televisions on a different floor where the cable or satellite
974 wires don't run and where those televisions are over-the-air
975 dependent should be able to get coupons to the extent that
976 you have coupons available to supply them.

977 So my question to you is what is your approach, and what
978 will be your approach going toward June 12 in terms of the
979 homes to which you are supplying coupons pursuant to
980 requests?

981 Ms. {Gomez.} Yeah. NTIA does share the concerns that
982 completely unprepared households are able to prepare
983 themselves before the transition date. Our current program,
984 thanks to the delay, we were able to change our rules so that

985 we are, in fact, able to prioritize over-the-air household
986 coupon requests should the need arise. We are going to
987 carefully monitor the number of requests that we get to make
988 sure that if we get ourselves into another situation where we
989 see a possible end of our funding limit, then we can begin
990 prioritizing over-the-air households and make sure that they
991 get those coupons.

992 Mr. {Boucher.} But at the present time you are honoring
993 requests without regard to whether they are over-the-air only
994 or households that simply need converter boxes. Is that
995 correct?

996 Ms. {Gomez.} That is correct. We are honoring requests
997 for all households that apply for the coupon.

998 Mr. {Boucher.} Let me encourage you to continue doing
999 that, prioritizing as need be to the over-the-air-only
1000 households. They should be the first priority. But to the
1001 extent that you have coupon availability beyond those, you
1002 should also honor the requests coming from households that
1003 simply need converter boxes but also have a cable or
1004 satellite subscription.

1005 My time has expired, but I am going to take the liberty
1006 of asking Mr. Copps a question, and I will be generous with
1007 other members.

1008 Mr. Copps, you mentioned in your testimony the problems

1009 associated with the fact that digital signals do not have the
1010 same propagation characteristics as analog signals, and there
1011 will be households that can get an analog signal from a given
1012 television station that when this transition occurs will not
1013 get the digital signal from that same station. Implying, of
1014 course, the need to do something about antenna readjustment
1015 or antenna replacement.

1016 And you and I have both been to White Haven, England,
1017 and seen firsthand the circumstances that pertained there
1018 when they transitioned to digital a couple of years ago. And
1019 what struck me on that visit was the extraordinary number of
1020 antennas that had to be replaced entirely. It was more than
1021 10 percent of the total. And we are now seeing that problem
1022 arise here in some of the markets that have transitioned, and
1023 we have concern that additional rural areas in particular
1024 will experience this problem on June the 12th.

1025 And so my question to you broadly spoken is what are you
1026 doing to assist in getting people prepared for this
1027 eventuality, and what should we be thinking about in terms of
1028 aiding you in that effort?

1029 Mr. {Coppes.} Well, it requires, I think, a new level of
1030 education, and this was not a message that went out early
1031 enough. Again, I think if we had had the kind of public
1032 sector, private sector partnership I have been harping for

1033 for 2 years, we would have identified a problem like this
1034 much earlier on than the time that we actually did. We focus
1035 so much on the boxes, boxes, boxes, and people got their
1036 boxes, and then ran into these antenna problems. So we are
1037 requiring in the consumer education that stations do, going
1038 forward that we educate people about the antenna problem.

1039 We have a new tool on our FCC DTV webpage to instruct
1040 people on the strength of the signals coming into their
1041 specific zip code. You can just type in your zip code, and
1042 you will find the stations and that strength that they are
1043 broadcasting at and the direction they are coming from, help
1044 you to aim your antenna and things like that. But there is,
1045 you know, you could have 5 or 10 percent of the people that
1046 are going to experience this problem. It is not going to be
1047 resolved by June. We should have done these kinds of studies
1048 much earlier on and identify the problem. There are things
1049 we can do. We are trying to get distributed transition
1050 systems going to strengthen signals and all that, but they
1051 all take time, and they take money for a hard-pressed
1052 industry right now.

1053 Mr. {Boucher.} Thank you, Mr. Copps, Ms. Gomez.

1054 The gentleman from Florida, Mr. Stearns, is recognized
1055 for 5 minutes.

1056 Mr. {Stearns.} Thank you, Mr. Chairman.

1057 Ms. Gomez, welcome to our committee and for your first
1058 time I suspect, and so we appreciate that. The gentleman
1059 from New York indicated this is totally mismanaged. Of
1060 course, Mr. Markey was chairman the last 2 years and Mr.
1061 Upton, distinguished gentleman from Michigan, they had
1062 hearing after hearing, so I don't know if mismanagement is a
1063 good appellation to put on this because I think they were on
1064 top of it.

1065 In fact, you heard Ms. Blackburn indicate that no one
1066 had any problem with the transition in her Congressional
1067 district. Mr. Terry indicated there were 33 calls out of
1068 412,000 households. And Mr. Upton in his Congressional
1069 district in Michigan had one call, and my Congressional
1070 district we transitioned also.

1071 So I appreciate everybody's apprehension here about this
1072 being mismanaged, but I think the evidence so far has been
1073 that it seems to be working at least in several of the
1074 Congressional districts here on the Republican side, so--and
1075 I commend Mr. Markey and Mr. Upton for all the work they did
1076 on this.

1077 Assistant Secretary Gomez, the theory behind this delay
1078 was that 5 percent were unprepared homes. The stimulus
1079 legislation obviously gave an extremely wide latitude on how
1080 to spend this roughly \$650 million in additional funding.

1081 Shouldn't we just spend \$350 million to cover two redeemed
1082 coupons for each remaining unprepared, exclusively over-the-
1083 air home and return the rest of the money, which I think
1084 would be a good signal to the people out there in American
1085 that we are trying to do things with less money and return
1086 what we don't need?

1087 Ms. {Gomez.} Well, under the Act and our goals are to
1088 provide the coupons to every requesting household as you
1089 know. So while we do share the concern about making sure
1090 that over-the-air households are prepared, as I mentioned, we
1091 are going to make sure that they are able to provide the
1092 coupons to those households if we end up in another situation
1093 where we have a wait list possible. And so what we knew back
1094 in January was that we had about 6.5 million households
1095 unprepared. Since that time we have been able to provide
1096 coupons to 1.2 million over-the-air households, so we are
1097 making progress. We want to make sure that we are able to
1098 provide the coupons to the households that aren't themselves
1099 prepared for the rest of this time. And we are going to
1100 monitor carefully.

1101 Mr. {Stearns.} Well, have you ruled out the possibility
1102 that you will return money? Because there is a lot of people
1103 have coupons, there are seven million coupons that have been
1104 unredeemed and then with this new money you will have totally

1105 more, even if you take out the administration costs and the
1106 education costs, you are still going to have a lot of money.
1107 You will have I conjecture almost 20 million coupons out
1108 there, and you got four million homes times two is eight
1109 million, so you could possibly have more coupons than
1110 households that need it. Is there a possibility in your mind
1111 that you would return the money that you don't use?

1112 Ms. {Gomez.} Well, any money that goes unused will be
1113 returned at the end of the program.

1114 Mr. {Stearns.} Well, okay. In the legislation the
1115 stimulus package allowed the NTIA to transfer some or all of
1116 the 90 million in consumer education funds to the FCC so as
1117 long as give the House and Senate appropriator the five-day
1118 advanced notice, has the NTIA transferred any money to the
1119 FCC yet?

1120 Ms. {Gomez.} No. The money hasn't been transferred
1121 yet. In fact, we have our request to Congress prepared, and
1122 that should be coming shortly. That will delineate how the
1123 FCC plans to use that money.

1124 Mr. {Stearns.} And how much are you talking about?

1125 Ms. {Gomez.} We are talking about \$65 million at this
1126 point.

1127 Mr. {Stearns.} How did you come up with \$55 million as
1128 opposed to \$20 million or \$100 million? How did you come up

1129 with \$55 million?

1130 Ms. {Gomez.} It is actually \$65 million. We worked--

1131 Mr. {Stearns.} Sixty-five.

1132 Ms. {Gomez.} Yes.

1133 Mr. {Stearns.} Not \$55. It is--

1134 Ms. {Gomez.} Right. It is \$65.

1135 Mr. {Stearns.} How did it go from \$55 to \$65? Just a
1136 slip?

1137 Ms. {Gomez.} Yes.

1138 Mr. {Stearns.} Wow. Ten million dollars.

1139 Ms. {Gomez.} Yeah. We worked with the FCC closely, and
1140 they came up with the projections of what they would need.
1141 They sent us a request, and we did take a look at it. We
1142 will be providing, like I said, a letter that delineates how
1143 specifically each of those categories are going to be used.

1144 Mr. {Stearns.} Can you send that letter to Chairman
1145 Boucher and myself?

1146 Ms. {Gomez.} Certainly.

1147 Mr. {Stearns.} I mean, that would be--I think, Mr.
1148 Boucher, you would like a copy of that, and I would like to--
1149 whether it is \$55 or \$65.

1150 Ms. {Gomez.} Yes.

1151 Mr. {Stearns.} Mr. Copps, she indicated that the FCC
1152 was intimately involved or involved with coming up with this

1153 request. You might want to comment.

1154 Mr. {Copps.} Yeah. We are looking at, as I said, a new
1155 level of consumer education and outreach. We are planning to
1156 use those millions and put out some requests for proposal in
1157 the very near future which will help to ensure that the call
1158 center operation is up and running and calibrated the way it
1159 should be for help centers and in-home assistance and for
1160 media buys and public relations.

1161 Because the request for proposals have not gone out yet,
1162 they tell me it is best not to get into saying how much in
1163 each one of those categories because you can kind of mess up
1164 the bidding process in doing that, and I have no desire to do
1165 that. But I think based on the proposals that we have put
1166 forward and also some of the work we are talking about with
1167 AmeriCorps and the fire fighters, that it is going to be a
1168 tremendous return on investment. A lot of this is going to
1169 be just getting processes going with the fire fighters and
1170 with AmeriCorps, and they will mobilize, but a lot of the
1171 labor that will come to it will be volunteer labor. So I
1172 think we are going to get a really good return on the
1173 investment.

1174 Mr. {Stearns.} Okay. Mr. Copps, I just wanted to
1175 congratulate--you and I are probably the only ones talking
1176 about during this transition having a demonstration project,

1177 and I remember when you came to my office, you and I both
1178 agreed and--

1179 Mr. {Copps.} Right.

1180 Mr. {Stearns.} --there is very few of us that did, and
1181 as it turned out we did a demonstration project in
1182 Wilmington, North Carolina, and you know, the chairman of the
1183 FCC was up here, and it turned out it was very successful.
1184 Obviously there were some people that did call but relative
1185 to the percentage it worked very well, which I think went to
1186 another part of our attempt to try and manage this.

1187 So with that, thank you, Mr. Chairman.

1188 Mr. {Boucher.} Thank you very much, Mr. Stearns.

1189 The gentleman from Michigan, Mr. Dingell, is recognized
1190 for 5 minutes.

1191 Mr. {Dingell.} Mr. Chairman, first, Mr. Copps and Ms.
1192 Gomez, congratulations. Welcome to the committee.

1193 Mr. {Copps.} Thank you.

1194 Mr. {Dingell.} Ms. Gomez, as you are aware, NTIA during
1195 the previous Administration stated to this subcommittee that
1196 it had adequate funding with which to meet consumer demand
1197 for digital television converter boxes. As we have learned,
1198 this was quite untrue.

1199 What have you done to correct this situation?

1200 Ms. {Gomez.} Yes, sir. Well, thanks to the additional

1201 money that Congress provided to us through the Recovery Act,
1202 we are able now, we were able last week to clear out the wait
1203 list of coupons and now to dedicate more resources to funding
1204 coupon requests.

1205 Mr. {Dingell.} Will you have sufficient funds to meet
1206 your charges under the law?

1207 Ms. {Gomez.} Well, I certainly hope so.

1208 Mr. {Dingell.} Hope won't do when you got a bunch of
1209 bad consumers.

1210 Ms. {Gomez.} That is correct, which is why what we are
1211 doing is retargeting and refocusing our efforts, because we
1212 want to make sure that those consumers that need this program
1213 the most are educated and understand their need to get that
1214 money today, get the coupons today so that they can prepare
1215 themselves immediately.

1216 Mr. {Dingell.} See, I saw when we did this, we first
1217 gave NTIA \$5 million to publicize it. That was clearly not
1218 enough. We gave you more money later, I think \$90 million.
1219 And we now find ourselves in a situation, though, where I see
1220 nothing going on out there in terms of public information
1221 flow to the consumers about this. So I am curious. Will you
1222 commit to us to keeping us fully informed about the status of
1223 the level of funding and the availability of coupons and the
1224 availability of the converter boxes?

1225 Ms. {Gomez.} Yes. I will commit to do that. We will
1226 continue to provide information.

1227 Mr. {Dingell.} Now, Ms. Gomez, how does NTIA currently
1228 predict consumer demands for those coupons?

1229 Ms. {Gomez.} We actually don't have a prediction today
1230 for what the consumer demand will be. We have been able to
1231 learn--

1232 Mr. {Dingell.} Don't you need to know that?

1233 Ms. {Gomez.} Well, the truth is now that we are
1234 reissuing, we are permitting the reissuance of coupons for
1235 consumers that had their coupons expire, we expect to have
1236 demand increase, but we need to monitor over the next several
1237 weeks to see now that we have advertised the availability of
1238 reissuance to see how much that increases the level of demand
1239 from consumers today.

1240 Mr. {Dingell.} We have given you additional time,
1241 additional money, and you now have until some time in June
1242 when you have got to see to it that you have gotten all your
1243 coupons out, you got all your coupons back, everybody has got
1244 a converter box so we don't have a bunch of mad consumers on
1245 our hands. And I can just tell you that I anticipate full
1246 well we are going to have some angry people calling our
1247 offices about the fact that this has not been properly
1248 handled.

1249 How can you assure us that you are going to meet your
1250 deadline, and how can you ensure us that you are going to
1251 have the adequate number of coupons, the adequate number of
1252 boxes, and that they are going to be in place?

1253 Ms. {Gomez.} We are planning for making sure that we
1254 target the populations that most need this type of help,
1255 because it is true, you are actually right, the coupon
1256 program isn't going to be what makes sure that by June 12 all
1257 consumers don't call your offices. So what we have to do is
1258 dedicate our resources to making sure that we provide both
1259 the technical assistance, which is what the FCC is working
1260 on, as well as make sure there are community partnerships or
1261 public, private partnerships, our friends in the broadcast
1262 industry and the cable industry, continue to help us to
1263 provide that assistance to consumers. That is the way that
1264 we are going to be able to make sure that the outreach is
1265 there, even if we don't--

1266 Mr. {Dingell.} You have not comforted me.

1267 Mr. Cops, you have indicated in your testimony that you
1268 have new problems which apparently are coming to my attention
1269 for the first time with regard to how the difference in
1270 coverage in the service areas of analog versus digital is
1271 going to impact. What are you doing to make sure that we are
1272 going to have full service across the entire service area of

1273 these new digital broadcasting operations?

1274 Mr. {Copps.} We are not going to be able to ensure that
1275 we have full coverage of digital signals in current
1276 broadcasting areas. We are going to try to alleviate the
1277 problem that is out there. We are going to try to educate
1278 consumers to the extent of the problem to forewarn them and
1279 hopefully to forewarn them by calling upon the stations to
1280 help us to get that message out, and then try to encourage
1281 whatever technical solutions are realizable between now and
1282 June, but as I said in my statement, things like putting up
1283 new translator stations, distributing transmission systems
1284 are time consuming and costly. So this is one of those
1285 problems that, again, because of the lack of coordination
1286 didn't come to everybody's visibility soon enough.

1287 Mr. {Dingell.} So lack of coordination between who?
1288 FCC, NTIA?

1289 Mr. {Copps.} No. I think the lack of, the lack for the
1290 last few years of a really coordinated public, private sector
1291 partnership where we really had interagency coordination. I
1292 was part of the Y2K exercise in the previous Administration,
1293 the two previous Administrations ago. I was Assistant
1294 Secretary of Commerce, and I knew what a coordinated
1295 interagency, public sector, private sector partnership looked
1296 like where the leadership was involved, where we were

1297 coordinated with the White House, all the agencies were
1298 there, and we were contacting business and identifying
1299 problems early on and making mid-course corrections and
1300 devising solutions. We are trying to invent that kind of
1301 process here in the last 2 months that should have been up
1302 and running 2 years ago.

1303 Mr. {Dingell.} And that is one of the unfortunate
1304 things. Mr. Copps, you have indicated that FCC is working
1305 with NTIA to develop a list of hot spots to ensure a more
1306 targeted consumer approach. How have FCC and NTIA determined
1307 these hot spots, and are both of your agencies confident that
1308 this approach is success, and what more has to be done? I
1309 will ask you to respond and Ms. Gomez also.

1310 Mr. {Copps.} Well, I am hopeful. We are working to
1311 identify those hot spots, and there are some 49 of them based
1312 on the latest Neilson data on DMA numbers, percentages of
1313 over-the-air households, coupon requests, redemption rates,
1314 poverty rates, a whole bunch of different criteria to really
1315 show us where the most vulnerable areas are and where we need
1316 to be devoting the limited resources that we are capable of
1317 deploying for this.

1318 Mr. {Dingell.} So the answer is you don't really have
1319 the resources you need to identify these areas.

1320 Mr. {Copps.} Well, we are identifying them. We will

1321 have hopefully additional resources. Again, not enough that
1322 I am going to sit here and guarantee that everything is going
1323 to go assumingly well.

1324 Mr. {Dingell.} Ms. Gomez, do you have adequate
1325 resources, and are you in any better shape than Mr. Copps,
1326 the FCC, are in to address this problem?

1327 Ms. {Gomez.} I can say that we are working very hard to
1328 address the problem, and we are very grateful for the ability
1329 to work with the FCC.

1330 Mr. {Dingell.} So your answer is you have not solved
1331 the problem. Do you have the resources you need to address
1332 it in the time that you confront between now and the 12th of
1333 June?

1334 Ms. {Gomez.} I do think we have the resources,
1335 particularly with the resources that we got from the Recovery
1336 Act from the Congress.

1337 Mr. {Dingell.} I have used 2 minutes and 44 seconds
1338 more than my time, Mr. Chairman. I apologize to you and the
1339 members of the committee.

1340 Mr. {Boucher.} Thank you very much, Mr. Chairman. Your
1341 questioning has enlightened all of us, and the time was
1342 certainly well spent.

1343 The gentleman from Michigan, Mr. Upton, is recognized
1344 for 7 minutes.

1345 Mr. {Upton.} Thank you, Mr. Chairman, and I am not
1346 going to use all my time because we have been notified we are
1347 going to have a series of votes on the Floor momentarily. So
1348 I do want to--just a couple things.

1349 First, I guess some of us won't be here for the second
1350 panel. I want to praise particularly in Michigan, all of our
1351 folks, the NAB and others, they did really a terrific job in
1352 getting the word out. They actually did polling in Michigan,
1353 and I want to say something like 95 percent of the folks knew
1354 that they had to make some change, and I will make a little
1355 joke at the expense of my guy here, Joe Barton. Joe Barton
1356 was so convinced. He has cable now. This is a new thing for
1357 him, but even Joe was asking about how to get a cable box and
1358 hope Mr. Copps, he might be able to go help him hook it up,
1359 and I assured him that that was really not the case and not
1360 needed.

1361 But in all kidding aside, the industry and the cable
1362 folks just did a marvelous job, and our broadcasters and
1363 particularly I did a number of things with my local
1364 broadcasters in Kalamazoo and South Bend, two markets that
1365 cover our district in southwest Michigan, and with our
1366 retailers, and looked at a number of different folks, and it
1367 worked without a hitch. And some of them have changed, and
1368 of course, when I worked with Mr. Markey and Mr. Boucher as

1369 well, and obviously Mr. Barton and Mr. Dingell as we crafted
1370 this legislation a number of years ago, this was the number
1371 one recommendation by the 9/11 Commission. Get it done,
1372 because if we have something else happen, this is the number
1373 on thing to make sure that our citizens were, are protected
1374 in the future.

1375 And they trashed, frankly, the 9/11 Commission trashed
1376 the Congress 2 or 3 years ago when they didn't think we had
1377 moved fast enough, and of course, that was one of the reasons
1378 that a number of us objected to the delay because the word
1379 was out. And a number of us coauthored, Mr. Stearns was a
1380 big part of that, too, legislation that was introduced at the
1381 end of, I think in the last session as well as the beginning
1382 of this session, legislation that would actually provide the
1383 accounting fix to allow the coupons still to go out, but we
1384 just wouldn't take it down from the spending until they were
1385 actually redeemed rather than when they were mailed out. Of
1386 course, you have a number of coupons that were never used,
1387 and you have got a number of them that are still laying in
1388 someone's desk, in their desk drawer for maybe weeks to come
1389 until they go to Sears or Best Buy, wherever they have to go.

1390 But my question is this, and before I yield back, it is
1391 fairly clear when you look at the numbers that we are going
1392 to have a number of coupons, A, never redeemed, the \$650

1393 million that was in the stimulus package, I think the number
1394 was about what, four million homes not being serviced as of
1395 March 1 in terms of over-the-air. Is that right, Ms.--so if
1396 you--and yet we provided enough money in the stimulus for 12
1397 million coupons, so if you have got four million unredeemed
1398 homes, and they each get two coupons, and they really need
1399 them unlike Joe Barton, you are going to have hundreds of
1400 millions of dollars that is never going to be, need to be
1401 spent? Right?

1402 So what happens to that money in June? What happens to
1403 the money that is not used because we have done too many of
1404 these coupons or they are never redeemed?

1405 Ms. {Gomez.} Well, at the end of the program any money
1406 that is left over will be de-obligated. It will be returned
1407 to the Treasury.

1408 Mr. {Upton.} And will that be--and when will that
1409 decision be made? Because, of course, the transition date is
1410 June 12. So let us say someone says, oh, it might finally be
1411 time. We will use Mr. Shimkus's example. April 15 with
1412 taxes, June 12, so maybe they call that 800 number or get
1413 online or figure out how to do it. Maybe they go June 5,
1414 they get the coupon, so it is really good until August or
1415 September. Right? At what point do you actually say enough
1416 is enough?

1417 Ms. {Gomez.} Yeah. Under the law we were able to
1418 extend the date or the law extended the date for folks to
1419 apply for coupons to July 31. So if you take into account
1420 processing--

1421 Mr. {Upton.} That will take you to the end of the
1422 fiscal year. So--

1423 Ms. {Gomez.} Further beyond that I would think.

1424 Mr. {Upton.} Yeah. So what--so the un-obligated
1425 balance, what happens to that? At what point do you say,
1426 Treasury, here is your money back? I hope you say that.

1427 Ms. {Gomez.} I don't know if there is a specific
1428 deadline for that. I am sorry. I would have to go back and
1429 make sure I checked that.

1430 Mr. {Upton.} Mr. Copps, do you know? Do you all weigh
1431 in on that decision at all or not? Are you completely out of
1432 that? With the money.

1433 Mr. {Copps.} No. I don't know. Technically it would
1434 go back, I would assume, if we are going to go out of the
1435 coupon granting business, and you give it the time to get
1436 those redeemed, and at that time the money is left over, it
1437 goes back. I would hope that would be before the end of the
1438 fiscal year, but I can't tell you.

1439 Mr. {Upton.} And Ms. Gomez, what happens to the--if you
1440 have got, you know, millions of coupons that perhaps don't

1441 actually get delivered, is there still a fee that I guess in
1442 this case, what, IBM would collect? I mean, is there still a
1443 processing fee that is paid out to the private sector for
1444 those or not?

1445 Ms. {Gomez.} You know, that is a good question, and I
1446 am sorry. I am going to have to get back to you on that one
1447 because I am not sure how exactly under the contract the--
1448 what--how exactly those fees are--

1449 Mr. {Upton.} I know the votes are starting. I will
1450 yield back my time. Thank you. Thank you both.

1451 Mr. {Boucher.} Thank you very much, Mr. Upton. We have
1452 votes now pending on the floor but I think time for one more
1453 member to ask questions, and I am pleased to recognize the
1454 gentlelady from Florida, Ms. Castor, for 5 minutes.

1455 Ms. {Castor.} Thank you, Mr. Chairman. Would you all
1456 address the status of the call centers? Are you finding that
1457 the call centers have adequate capacity to handle current
1458 volumes of calls? Do we have enough bilingual operators?
1459 What are the wait times that callers can expect, and then
1460 what plans do you have in place to handle the surge in calls
1461 on and after the transition date?

1462 Mr. {Copps.} Well, we are in the process of getting
1463 ready to put out a request for proposal for our call centers
1464 to mutrice the FCC call center. That is already existent.

1465 There were some problems with that. We are working mightily
1466 to correct those, I think most of them, and did a fine job.
1467 I was up in Gettysburg, Pennsylvania, where our call center
1468 is located a couple of weeks ago, and the agents up there
1469 were saying we really would like to have more training. So
1470 now we have an opportunity to do more training and give them
1471 a level of technical proficiency and responsiveness that they
1472 presently don't have. So we are going to be working on that.

1473 With regard to the bilingual, no, we don't have enough.
1474 I think you can make the case, and my friend Colin McSlarough
1475 in the cable industry has observed that only 2 percent of
1476 Hispanics lived in areas that have completed transitioned
1477 already, but 13 percent of the calls that came in were from
1478 Spanish-speaking people. So I think if we play this out a
1479 little bit, you are going to see that we are going to have to
1480 have the ability to do much better with regard to that.

1481 I want to make one other response on the call center
1482 thing, though, too, because lots of folks are saying, well,
1483 you didn't get all those calls. I would also note that we
1484 have had 14-1/2 million hits on our Internet site, and you
1485 know, we all got to kind of acclimate ourselves to the new
1486 world we live in, but I suspect perhaps a percentage of those
1487 people who might otherwise have taken to the telephones have
1488 gone on the Internet. We are trying to put better tools and

1489 help up there to inform them, and I think that is something
1490 we need to take into our calculation as we go forward, too,
1491 but we are cognizant of the limitations we had on the
1492 program, and we are dedicated to trying to make it better.
1493 Industry was a huge help in the period leading up to February
1494 17. They continue and will continue their call center
1495 operations until the middle of April, and then we will have
1496 to adjust after that and make sure that we can handle
1497 everything through the other resources that exist.

1498 Ms. {Castor.} Thank you, and I will yield back.

1499 Mr. {Boucher.} Thank you very much, Ms. Castor.

1500 Mr. Weiner, actually, Mr. Radanovich has joined us from
1501 California, and he would be next in the order. We have bills
1502 pending on the floor. It would be nice if we could excuse
1503 this panel without having to come back. After the gentleman
1504 perhaps asks 2 minutes worth of questions and--

1505 Mr. {Radanovich.} I got one question to ask. That will
1506 be great. Thanks. Thank you, Mr. Chairman. I appreciate it
1507 and thank you for being here.

1508 Assistant Secretary Gomez, the Delay Act allows the NTIA
1509 to issue downloadable coupons. My understanding, however, is
1510 that both the NTIA and retailers have previously expressed
1511 fraud and implementation problems with downloadable coupons.
1512 Are you still considering using downloadable coupons?

1513 Ms. {Gomez.} No. We have decided not to issue
1514 downloadable coupons. It is my belief that a year ago
1515 downloadable coupons would have been a really good idea.

1516 Mr. {Radanovich.} Uh-huh.

1517 Ms. {Gomez.} Unfortunately, with the short amount of
1518 time that we have left and the population that we have left
1519 to reach, it was our feeling both for purposes of trying to
1520 develop something that would withstand waste, fraud, and
1521 abuse issues, as well as something that would be usable, it
1522 would probably be a little too late by the time we got the
1523 systems up and running.

1524 Mr. {Radanovich.} Okay. All right. Thank you very
1525 much. Thank you, Mr. Chairman.

1526 Mr. {Boucher.} Thank you very much, Mr. Radanovich.

1527 Mr. Weiner from New York.

1528 Mr. {Weiner.} Thank you. I will be brief. First of
1529 all, I signed up for a coupon several weeks ago, and it
1530 hasn't arrived, so I don't know. Maybe you can look it up.
1531 It is you know, Askan Avenue, Forest Hills, New York.

1532 Mr. Copps, is there any way of telling whether we are
1533 going to have wide-scale problems in large urban areas where
1534 there is all kinds of different topography that is guided by
1535 tall buildings, sometimes parks, sometimes communities,
1536 suburban communities were sometimes the broadcast signal has

1537 to pass through a city to get to the suburbs? Do we have any
1538 good, I mean, I know there have been a couple of times I have
1539 read that there have been tests they flipped off in the
1540 middle of the night just to see how it works.

1541 Do we have any sense whether that is going to be a
1542 problem?

1543 Mr. {Coppes.} I have that sense, I guess it would be
1544 largely anecdotal from traveling around, that there are,
1545 indeed, going to be problems. Everywhere I go I run into
1546 people who are experiencing such problems already. So there
1547 is no question in my mind but that they exist, and we are
1548 going to have to deal with them. Again, I think that we were
1549 remiss in not getting those kind of studies done and on the
1550 shelf long before we got into these waning months of the
1551 transition.

1552 And those large urban areas also worry me, not just
1553 because of the technical limitations of the--and the
1554 propagation characteristics of the digital signal, but
1555 because there are so many low-income people there, and there
1556 are so many people for whom English is not the primary
1557 language, and they are more difficult to reach, and there are
1558 seniors there and minorities there.

1559 So that is where a tremendous part of our outreach--

1560 Mr. {Weiner.} But even if it is running well, even if

1561 the system runs well, even if it gets there, I mean, do we
1562 have a good sense in a city like New York, for example, where
1563 a lot of people already have their antennas and they are
1564 hooked up. Do we have a sense whether the signal is reaching
1565 them? I mean, to some degree we are going to have a problem
1566 and some people are going to fear that they just hooked it up
1567 wrong, it is going to be a problem like on that level. But
1568 do we have a sense that the technology is going to reach
1569 these people?

1570 Mr. {Copps.} I think in most cases if you have done
1571 everything right with the computer, with the converter boxes
1572 and the antenna and all the rest, you are going to be all
1573 right, but it is not going to be ubiquitous, and there are
1574 going to be those people calling your office and my office
1575 who say, hey, I listened to you. I got the box, I got the
1576 antenna, I know I am aimed in the right direction, and I am
1577 still not getting the signal. What are you going to do about
1578 it?

1579 Mr. {Weiner.} Well, I appreciate it.

1580 Mr. {Copps.} I hear that wherever I go.

1581 Mr. {Weiner.} Thank you, and in knowing how government
1582 bureaucracy sometimes engages in overkill, I just need one, I
1583 don't need seven people showing up at my house. I don't need
1584 200 of them showing, just that one will be great.

1585 Mr. {Boucher.} Thank you very much, Mr. Weiner.

1586 I am going to ask unanimous consent that NTIA's weekly
1587 converter boxes coupon program status update be placed in the
1588 record. Without objection, so ordered.

1589 Thanks to this panel. You have done an excellent job.
1590 Your testimony this morning has also been very enlightening.
1591 We appreciate you joining us. We have seven votes pending on
1592 the Floor, and that means the next panel will take up when we
1593 can return.

1594 So until that point probably 45 minutes to an hour from
1595 now, this subcommittee stands in recess.

1596 [Recess]

1597 Mr. {Boucher.} The subcommittee will reconvene. My
1598 apologies for the lateness of the time here.

1599 We now welcome our second panel for the afternoon. Mr.
1600 Mark Lloyd is Vice President of Strategic Initiatives for the
1601 Leadership Conference on Civil Rights, Mr. Peter Morrill is
1602 the General Manager of Idaho Public Television, Mr. Robert
1603 Prather Jr. is the President of Gray Television, Mr. Gary
1604 Severson is Senior Vice President and General Manager of
1605 Entertainment for the Wal-Mart Stores, Mr. Gary Shapiro is
1606 President and Chief Executive Officer of the Consumer
1607 Electronics Association, and Mr. Christopher Wood is Vice
1608 President, Senior Legal Counsel, and DTV Compliance Officer

1609 for Univision Communications. We welcome each of our
1610 witnesses and without objection your prepared written
1611 statement will be made a part of the record. We would
1612 welcome now your oral presentations and as that you keep
1613 those to approximately 5 minutes.

1614 And Mr. Wood, we will be pleased to begin with you.

|
1615 ^STATEMENT OF CHRISTOPHER WOOD, VICE PRESIDENT, SENIOR LEGAL
1616 COUNSEL, AND DTV COMPLIANCE OFFICER, UNIVISION COMMUNICATIONS
1617 INC.; GARY SEVERSON, SENIOR VICE PRESIDENT, GENERAL MANAGER,
1618 ENTERTAINMENT, WAL-MART STORES; GARY SHAPIRO, PRESIDENT AND
1619 CEO, CONSUMER ELECTRONICS ASSOCIATION; PETER MORRILL, GENERAL
1620 MANAGER, IDAHO PUBLIC TELEVISION; MARK LLOYD, VICE PRESIDENT,
1621 STRATEGIC INITIATIVES, LEADERSHIP CONFERENCE ON CIVIL RIGHTS;
1622 AND ROBERT S. PRATHER JR., PRESIDENT, GRAY TELEVISION, INC

|
1623 ^STATEMENT OF CHRISTOPHER WOOD

1624 } Mr. {Wood.} Chairman Boucher, Ranking Member Stearns
1625 and members of the subcommittee, my name is Chris Wood, and I
1626 am Vice President and Senior Legal Counsel of Univision
1627 Communications where I have responsibility for DTV compliance
1628 matters. I appreciate very much the opportunity to speak
1629 with you this afternoon about our efforts to ensure that the
1630 Hispanic community is prepared for the digital transition,
1631 together with our public and private partners.

1632 Univision is the country's leading Spanish language
1633 media company. Our assets include the Univision Network, the
1634 TeleFutura Broadcast Network, which provide an array of news,
1635 information, sports, and entertainment programming. We also

1636 own and operate more than three dozen full-powered television
1637 stations, which will be making the transition to digital
1638 television.

1639 But Univision is more than just a broadcasting company.
1640 Our stations and our networks are integral parts of the
1641 community and the culture of U.S. Hispanic households.
1642 Spanish language viewers depend on Univision or Univision for
1643 not just sports and entertainment programming but also as an
1644 essential and reliable source of news, weather, and emergency
1645 information. And a significant number of the viewers who
1646 rely on Univision also rely exclusively on over-the-air
1647 television.

1648 So the impact of the digital transition is particularly
1649 important to our company. When our CEO, Joe Uva, testified
1650 before this subcommittee in October of 2007, he told you that
1651 Univision was committed to being an industry leader in
1652 educating and informing viewers about the upcoming digital
1653 transition. That month Univision launched Una Nueva Aira Ava
1654 de Vial, our campaign to prepare Hispanics and Spanish-
1655 speaking television viewers for the digital transition.

1656 That was 6 months before the FCC required any
1657 broadcaster to undertake DTV educational initiatives. Since
1658 launching that campaign Univision has created and broadcast
1659 four half-hour DTV specials. We have included DTV

1660 educational messages in our most popular programming. We
1661 have covered transition issues in our national and local news
1662 and public affairs programs, and we have aired well over
1663 100,000 DTV educational PSAs, featuring members of Congress
1664 and Univision personalities.

1665 Univision also hosts a Spanish-language DTV transition
1666 website that has received over seven million page views.
1667 Univision has used its strong ties to the local Hispanic
1668 communities and its markets to launch a grass root initiative
1669 that we call Es Quadron de Hital, or digital squads, in which
1670 our stations have reached out directly to their communities
1671 through local activities. Altogether Univision has sponsored
1672 more than 250 community events in its markets.

1673 For example, we have hosted 25 town hall meetings that
1674 have been attended by thousands of viewers. We have also
1675 supported events hosted by members of Congress in their own
1676 districts. We have organized and funded phone banks. We
1677 have participated in 48 soft analog tests to help our analog
1678 viewers determine whether they are prepared for DTV.

1679 Univision was fully prepared to complete the DTV
1680 transition on the original cutoff date of February 17. Now
1681 that the transition has been extended to June 12, we realize
1682 that more remains to be done in the community. Many Hispanic
1683 households have yet to achieve an acceptable state of DTV

1684 readiness. Although Neilson reports that Hispanic households
1685 are less prepared for the digital transition than the general
1686 population, it is also clear that our outreach efforts are
1687 working and that the preparedness gap between Hispanic
1688 households and households at large has diminished
1689 significantly over the past 3 months.

1690 So mindful of our unique connection to the Hispanic
1691 community, Univision will focus now on continuing educational
1692 and informational efforts on the steps viewers need to take
1693 in order to be fully prepared to receive digital signals by
1694 the June 12 transition date. We are working as we speak
1695 today to implement the expanded DTV consumer education
1696 requirements now required by the FCC.

1697 I would like to acknowledge the leadership and the
1698 guidance of Chairman Boucher and Ranking Member Stearns and,
1699 of course, their staffs. Your support is critical to
1700 enabling us to ensure that all viewers, especially the
1701 Hispanic viewers who depend on our service to their
1702 communities, are prepared for the transition.

1703 Mr. Chairman, I appreciate the opportunity to discuss
1704 our efforts, and I would be glad to answer any questions you
1705 may have.

1706 [The prepared statement of Mr. Woods follows:]

1707 ***** INSERT C *****

|
1708 Mr. {Boucher.} Thank you very much, Mr. Wood.
1709 Mr. Severson.

|
1710 ^STATEMENT OF GARY SEVERSON

1711 } Mr. {Severson.} Chairman Boucher, Ranking Member
1712 Stearns, and members of the subcommittee, thank you for
1713 inviting me to appear before your subcommittee on behalf of
1714 Wal-Mart Stores and the Consumer Electronics Retailers
1715 Coalition or CERC.

1716 Since joining Wal-Mart in 1994, I have managed a variety
1717 of merchandising departments. I am currently Senior Vice
1718 President and General Manager of Entertainment, which
1719 includes electronics.

1720 I believe that we are going to complete our transition
1721 to digital television successfully. Aside from Congressional
1722 oversight, much of the credit for a successful converter
1723 boxes program should go to the leadership and staff of the
1724 NTIA past and present. CERC is also working with the FCC
1725 staff very constructively today on the final and crucial
1726 stages of consumer education and outreach. We are proud that
1727 retailers training and education efforts have received high
1728 marks from the FCC. As other CERC witnesses have told the
1729 subcommittee, the DTV transition has been a professional
1730 experience without precedent, made more complex and
1731 challenging by adjustments to the program.

1732 Wal-Mart's converter box demand increased in the days
1733 leading up to each local transition, but we have been meeting
1734 each challenge and are confident we will meet the final ones.
1735 Wal-Mart has worked to ensure that our customers are aware of
1736 the transition. Our stores have featured the converter boxes
1737 through special displays, a 30-second video running in the
1738 electronics area, a countdown clock to February 17, print
1739 advertising space, and in-store signing.

1740 In advertising terms alone we value in the millions of
1741 dollars the time that Wal-Mart's in-store video network
1742 devoted to educating our customers about the DTV transition.
1743 Wal-Mart, like other CERC members, has participated in
1744 community-based efforts to reach the underserved population,
1745 including FCC-sponsored field activities and the successful
1746 DTV Road Show Education Campaign, which made many stops at
1747 Wal-Mart stores across the country.

1748 Conversations will continue--excuse me. Conversions
1749 will continue one by one through June 9 with the balance of
1750 television stations transitioning on June 12. Communicating
1751 clear, concise, market-specific advice to consumers over this
1752 period will be a particular challenge. Currently we are
1753 changing signs in our stores to direct consumers to websites
1754 and telephone numbers to obtain the most accurate and up-to-
1755 date local information. We are also considering new in-store

1756 electronic messaging for our TV wall and point of sale.

1757 Wal-Mart remains a leading seller of coupon-eligible
1758 converters. Over 90 percent of our converter sales have been
1759 made with the assistance of coupons. To date all of our
1760 models have been sold under \$50, a highly-competitive price
1761 among retailers.

1762 Once we saw that the coupon waiting list would be
1763 cleared, we started air freighting converter boxes to our
1764 stores. As the weeks progress, we will be very well situated
1765 to serve anticipated future demand of our customers through
1766 the end of June. Projecting store needs on a weekly basis we
1767 are generally able to restock very quickly and remedy gaps in
1768 supply. Minor delays have occurred only when external events
1769 upset the supply or demand cycles. We have not been
1770 encountering many consumer problems as customers understand
1771 that fluctuating inventory levels has been a fluid situation.

1772 With antennas, like others, we have seen a noticeable
1773 increase in demand. Antennas that offer the most consumer
1774 satisfaction are those at each end of the price range; the
1775 least expensive set-top antennas and the more expensive
1776 rooftop antennas. Wal-Mart is making additional antenna
1777 purchases for the balance of this year in both categories.

1778 We think that we will be able to serve our customers well as
1779 their remaining local stations move to their final power

1780 frequency and tower position.

1781 While our converters have had a very low rate of return
1782 compared to average electronics products, our rate, our
1783 return rate on antennas has been somewhat higher. As
1784 consumers find the models that best suit their own needs, we
1785 understand that other electronics retailers are seeing
1786 similar return rates on antennas.

1787 While we will focus on addressing the needs of our
1788 customers in the store, we encourage all stakeholders to
1789 focus on educating viewers on what to do after returning
1790 home. We are pleased with efforts that encourage viewers to
1791 rescan converter boxes frequently to capture additional
1792 channels.

1793 Wal-Mart is pleased to testify today, Chairman Boucher.
1794 Thank you. Additionally as we look ahead, we hope to work
1795 closely with the committee in addressing energy use and
1796 recycling issues, especially as they pertain to electronics.
1797 I will be happy to answer any questions you may have. Thank
1798 you.

1799 [The prepared statement of Mr. Severson follows:]

1800 ***** INSERT D *****

|

1801 Mr. {Boucher.} Thank you, Mr. Severson.

1802 Mr. Shapiro.

|
1803 ^STATEMENT OF GARY SHAPIRO

1804 } Mr. {Shapiro.} Chairman Boucher, Chairman Dingell, Mr.
1805 Shimkus, thank you so much, members of the subcommittee for
1806 inviting me to testify on behalf of the Consumer Electronics
1807 Association.

1808 I have three main points. First, the DTV transition has
1809 been and will continue to be an incredibly successful
1810 partnership between government and all affected industries,
1811 the most successful in our history.

1812 Second, as the results of the February 17 date
1813 demonstrate, consumer experience with the DTV transition has
1814 been overwhelmingly positive. With our most recent survey of
1815 the market we see ample evidence to suggest that
1816 manufacturers and retailers will continue to meet consumer
1817 demand for converter boxes and antennas.

1818 Finally, in light of the program's success and the
1819 enormous benefits arising from the migration to the digital
1820 spectrum, we ask that you not again delay the transition
1821 beyond June 12.

1822 We represent the \$172 billion United States consumer
1823 electronics industry. We have over 2,200 corporate members,
1824 including manufacturers, retailers, distributors of digital

1825 televisions, antennas, converter boxes, and a range of other
1826 products.

1827 More relevant for this hearing, though, this is the
1828 industry that invented digital television, and I even have a
1829 deep personal stake in the success. I was here over 20 years
1830 ago when this committee held the very first hearing, and
1831 indeed, my wife and I met over a chairlift when I overheard
1832 her talking on her cell phone about digital television. And
1833 I innocently asked, what is this thing called HDTV she was
1834 talking about. I am so passionate about digital television
1835 that my tombstone will be 16 by 9 aspect ratio.

1836 Well, we have almost reached the end of this 20-year
1837 process. We worked with broadcasters at WRC here in
1838 Washington to establish the first DTV broadcast station in
1839 '96. We helped create the advanced television test center to
1840 test all the different proponents, and we are a founding
1841 member of the Advanced Television Systems Committee, which
1842 set the standards for DTV. And we have helped lead the
1843 effort to educate the public about the transition.

1844 We helped found the DTV Transition Coalition, which now
1845 has 200 diverse groups, a group whose mission to ensure that
1846 not one consumer in the United States loses broadcast
1847 television service due to a lack of information. And our
1848 aggressive effort outreach have reached millions of

1849 consumers, retailers, manufacturers, and legislators about
1850 the transition. We created and operated the website,
1851 antennaweb.org, which we manage with NAB, and that helps
1852 consumers choose the right antenna for their location. We
1853 have digital tips which helps consumers learn about the
1854 transition.

1855 We have a video. We hired Florence Henderson of The
1856 Brady Bunch to get to the elder people, to reach out to them,
1857 and we have done a lot in the retailer training, consumer
1858 education area. And I think we have been successful. We
1859 started out in 2006, 41 percent of consumers were familiar.
1860 By the end of 2007, it was 80 percent. Today Neilson, who I
1861 think understates it, says that 96 percent of all TV homes
1862 are now aware about the transition date and are prepared for
1863 it. If these conservative numbers even are correct, we will
1864 be about as close to 100 percent as you can be by June 12.

1865 This has been the most successful industry, government
1866 cooperative relationship probably since World War II. The
1867 first DTV hearing held by Chairman Markey focused on this
1868 appropriately, and the broadcasting cable, satellite, and
1869 public interest sectors worked together in the DTV Transition
1870 Coalition to ensure that we have been prepared to make the
1871 switch. It has been bipartisan cooperation, and I want to
1872 commend the FCC and the NTIA, both past and present, for the

1873 tremendous work in running these programs. And this
1874 committee for over 2 decades of oversight over this important
1875 transition.

1876 I remain convinced we are fully prepared for the
1877 successful and consumer-friendly transition. Why? First,
1878 recall that by February 18 more than one-third of the
1879 broadcasters had fully transitioned to digital. Prior to
1880 that day some groups were claiming that this mini transition
1881 would leave millions without television. It would overwhelm
1882 the FCC's call center and would cause tremendous harm to the
1883 most vulnerable among us who cannot be prepared in time.

1884 The predictions of these naysayers simply did not come
1885 true. Unfortunately, the mindset of groups that predicted
1886 massive failures on February 18 continues to dominant their
1887 outlook for June 12, and based on our newest information I
1888 believe that they are wrong again.

1889 To date roughly 26 million coupons have been redeemed,
1890 and we are projecting about some 4.2 million coupons will be
1891 redeemed from April until June, the June transition date.
1892 And through talking to retailers, major retailers and
1893 manufacturers, we believe inventory through the remainder of
1894 the transition will be robust and sufficient to cover
1895 projected demand over the next 3 months.

1896 But the marketplace is such that each retailer and each

1897 box supplier makes independent decisions, and this type of
1898 transition has absolutely no historical precedent. Digital-
1899 type TVs are selling well despite the recession. Last year
1900 almost 33 million sets were sold, and I am pleased to
1901 announce today that this year to date we are up 47 percent in
1902 DTV sales over the same period last year. And antenna cells
1903 are also selling well in recent months.

1904 To summarize our survey data suggest that manufacturers
1905 and retailers will likely meet consumer demand for converter
1906 boxes and antenna through the end of the transition, the June
1907 date. We will not know for sure whether this is the case
1908 until the Nation actually completes the DTV transition. This
1909 is as true today as it would have been if we had not delayed
1910 the date for February 17. The response to the significant
1911 recent changes made to the coupon program, manufacturers, and
1912 retailers have adjusted nimbly to ensure that market demands
1913 will be met.

1914 Now, as I have been saying for the last 15 years, this
1915 transition is historic. There will always be bumps in the
1916 road, but we have overcome everyone of them, and they have
1917 all been frankly more significant than what we are facing
1918 now. There is no evidence at this point of large-scale
1919 dislocations that would justify a further delay, which is my
1920 final point, and I want to elaborate on it because I am

1921 seeing--I will not elaborate on it because I saw your
1922 positive affirmation that there will not be a delay, so I
1923 won't have to convince you why it is great to stay the
1924 course.

1925 So I thank you for your time, and I would be happy to
1926 answer any questions.

1927 [The prepared statement of Mr. Shapiro follows:]

1928 ***** INSERT E *****

|
1929 Mr. {Boucher.} Thank you very much, Mr. Shapiro.
1930 Mr. Morrill.

|
1931 ^STATEMENT OF PETER MORRILL

1932 } Mr. {Morrill.} Thank you, Mr. Chairman and Ranking
1933 Members Stearns and members of the committee, especially Mr.
1934 Dingell. It is an honor and a pleasure to be here and for
1935 the honor to be able to testify before you on behalf of Idaho
1936 Public Television and the Association of Public Television
1937 Stations.

1938 Now, I come to you from a State whose geography has
1939 always challenged the human spirit. In 1805, our Bitterroot
1940 Mountains nearly repelled the Lewis and Clark Expedition.
1941 The Oregon Trail that crosses our southern desert has always
1942 been called the world's longest cemetery due to the toll it
1943 took on pioneering families.

1944 Idaho public television, which reaches 97 percent of the
1945 State's population, has worked for a decade to ensure that
1946 the digital transition gets a little friendlier reception.
1947 Since last July alone we have broadcast more than 52 hours of
1948 DTV consumer education announcements. Not programs, but
1949 announcements. Our efforts were bolstered in January by the
1950 \$35,000 DTV Consumer Assistance Grant that we received from
1951 the FCC. We hired an additional full-time engineer dedicated
1952 to responding to viewers' technical inquiries and produced

1953 two programs and six informational spots discussing the
1954 transition, including the importance of antenna placement and
1955 VHF, UHF channel changes.

1956 Other public television station recipients of the FCC
1957 grant launched their own initiatives. For example, as noted
1958 by Representative Space, WOSU from Columbus, Ohio, teamed
1959 with local agencies for the elderly to train staff and
1960 volunteers to install converter boxes in homes and senior
1961 residences.

1962 Congress has specified \$90 million of the stimulus funds
1963 be steered toward DTV consumer outreach. We are hopeful that
1964 much of that funding can be directed towards public
1965 television stations to build upon the success of the first
1966 wave of grants. Local public television stations have a
1967 unique combination of public trust, technical expertise, and
1968 unmatched local access that will enable us to provide
1969 necessary assistance.

1970 I urge the committee to focus on the last few steps
1971 between the antenna and the TV set, which is where consumers
1972 are going to need the most help between now and June 12. My
1973 experience has been that there is an over-arching need for
1974 in-home assistance for converter box scanning and antenna
1975 installation, particularly for the elderly. Other top
1976 priorities should be telephone and walk-in help centers

1977 staffed with well-trained personnel ready to help with
1978 location and station-specific issues.

1979 We also need to be realistic about the limits of
1980 consumer education. As Chairman Copps noted earlier, some
1981 viewers will not be able to receive all of the stations they
1982 did before the transition. In those cases full station
1983 disclosure is vital.

1984 For example, in Idaho some viewers within our service
1985 contour will lose coverage because, well, the digital signal
1986 doesn't travel well through those darn mountains. In late
1987 December the FCC introduced options for stations to fill in
1988 these holes using translators, but because of the short
1989 timeframe and the desperate economic conditions that exist
1990 right now, it will be extremely difficult to finance and
1991 deploy these systems.

1992 I respectfully request that this committee assist by
1993 supporting digital television fill-in service by granting
1994 stations at least 2 years to build out such systems and by
1995 making funding available immediately without a local match
1996 requirement.

1997 Finally, I must emphasize the need for increased federal
1998 funding for public television station operations to offset
1999 dramatic declines in revenue from non-federal sources of
2000 funding. Individual contributions, corporate underwriting,

2001 foundation and State support constitute 85 percent of our
2002 total operating revenue. Every day brings more news of
2003 station programming, personnel, and service cuts. Some
2004 stations are in a fight for survival.

2005 In Idaho we are projecting that the State will reduce
2006 our fiscal operating budget by nearly \$300,000 from the
2007 previous year and will eliminate our \$1.1 million request
2008 needed for capital equipment for our last major piece of the
2009 State-wide digital conversion. Think DTV fill-in translators
2010 here.

2011 Finally, public broadcasting provides important
2012 educational programming, especially for pre-school children.
2013 We are the most trusted source of news and information at a
2014 time when media are increasingly fragmented and newspapers
2015 are failing. We are virtually the only source remaining for
2016 cultural arts TV programming. We ask for the support of the
2017 members of this authorizing committee for increased federal
2018 funding so that public television may weather this economic
2019 typhoon and continue to provide innovative public media
2020 content and outreach to help all Americans do the same.

2021 Thank you very much for this opportunity, and I will
2022 look forward to answering any questions that you might have.

2023 [The prepared statement of Mr. Morrill follows:]

2024 ***** INSERT F *****

|

2025 Mr. {Boucher.} Thank you very much, Mr. Morrill.

2026 Mr. Lloyd, you are recognized for 5 minutes.

|
2027 ^STATEMENT OF MARK LLOYD

2028 } Mr. {Lloyd.} Thank you very much. It is an honor to be
2029 here. Thank you very much and really appreciate the
2030 leadership of this committee and especially Chairman Emeritus
2031 Dingell for sort of following these issues so closely and
2032 vigorously over the years.

2033 My name is Mark Lloyd. I am the Vice President for
2034 Strategic Initiatives of the Leadership Conference on Civil
2035 Rights and Leadership Conference on Civil Rights Education
2036 Fund. LCCREF is a national social justice organization
2037 working to establish equal opportunity in America through
2038 education and public outreach.

2039 We have been working on informing the public about the
2040 digital television transition for about 2 years now, and this
2041 work includes participating in the DTV Steering Committee and
2042 on the DTV Coalition, presenting at national conferences, and
2043 thanks to a grant from NTIA working on the ground in seven
2044 markets since last December to assist vulnerable populations
2045 make the transition to digital television. These populations
2046 include the poor, ethnic minorities, senior citizens, and
2047 people with disabilities.

2048 We are working in Portland, in the Seattle, Tacoma

2049 market, in the San Francisco Bay area, San Antonio,
2050 Minneapolis, Atlanta, and yes, Mr. Dingell, Detroit. We are
2051 assisting with people, filing applications for the DTV
2052 converter boxes request, helping people identify and acquire
2053 the converter box most appropriate to their needs, working to
2054 help people set up the equipment in their homes to continue
2055 to receive over-the-air television service.

2056 We believe, as we think Congress intended, that all
2057 Americans should have access to free, over-the-air television
2058 service, and our work on the ground has confirmed that free,
2059 over-the-air service is a vital lifeline for many in our
2060 communities.

2061 We would like to thank Congress again for adjusting the
2062 DTV or the TV Translator Program and authorizing NTIA to
2063 distribute additional funds for our educational work, and it
2064 is this funding that makes our work possible in the seven
2065 cities. And we would like to thank you for extending the
2066 transition date to June 12 and providing additional funds to
2067 support the educational and outreach effort.

2068 We can assure you that many Americans in the communities
2069 that we were working in were frankly panicked, were panicked
2070 in December when they found out from NTIA that they had run
2071 out of funds and that they were establishing a waiting list
2072 for coupons. More time was clearly needed to prepare for

2073 this transition. We can also assure you that we have made
2074 very good use of taxpayer dollars in our outreach to
2075 vulnerable communities.

2076 In the seven markets that we have opened up over 16 DTV
2077 assistant centers established relations with a couple of
2078 dozen DTV partners and provided direct assistance for roughly
2079 20,000 individuals in several different languages. In each
2080 of our cities we have established coupon exchange programs.
2081 Our DTV assistance centers and other partners help roughly
2082 100 walk-ins and telephone callers every day. We have
2083 connected community groups to both mainstream public and
2084 commercial media, and our work with ethnic media has allowed
2085 us to reach groups the ubiquitous TV PSAs did not reach.

2086 All of our assistance centers were inundated with calls
2087 on February 17 and the 2 days that followed. Many of the
2088 calls were about reception problems, but for the most part
2089 they reflected general confusion about whether the transition
2090 was happening or not. These calls petered out after the
2091 first few days, but the confusion frankly still continues.

2092 We are now providing daily news updates and reports to
2093 some 70 people working on the ground on our front lines. We
2094 call news articles and reports about what is happening with
2095 the transition that we get from our contacts here on the
2096 Hill, at the FCC, at NTIA, at the White House, and with the

2097 DTV Transition Coalition. But we also provide a central hub
2098 for all of our different partners to learn and share with
2099 each other how best to reach these most vulnerable, hard-to-
2100 reach communities.

2101 One of the key problems, continuing problems is the
2102 reception. A converter box is simply not enough. Many of
2103 the calls that we get are folks who need new antennas.
2104 Sometimes they need powered antennas. We have found the
2105 FCC's online map very useful in helping to identify potential
2106 signals at locations, but we have also found DTV reception to
2107 be inconsistent in the same community and in the same
2108 apartment building.

2109 Our local partners have been very careful to say we can
2110 provide general guidance, but we cannot predict what channels
2111 a viewer is going to be able to get. We believe that the
2112 work of identifying marginalized communities before the
2113 transition is vital. This is difficult work, but it is
2114 vital.

2115 We have also called Long Call for a rapid response plan
2116 to identify and serve those households which for one reason
2117 or another will fall through the cracks. We believe this
2118 work will continue well past the mid-June deadline. We would
2119 very much like to continue to assist in the effort to help
2120 these vulnerable communities keep free over-the-air

2121 television service, was happy to hear Anna Gomez announce
2122 that we were going to get funding, but frankly we are still
2123 in negotiation, and we are not quite sure what that means as
2124 of this point.

2125 I very much look forward to your questions. Again,
2126 thank you very much for your continued oversight and interest
2127 in these issues.

2128 [The prepared statement of Mr. Lloyd follows:]

2129 ***** INSERT G *****

|
2130 Mr. {Weiner.} [Presiding] Thank you for testifying,
2131 Mr. Lloyd.
2132 Mr. Prather, you are recognized for 5 minutes.

|
2133 ^STATEMENT OF ROBERT S. PRATHER, JR.

2134 } Mr. {Prather.} Thank you, Mr. Weiner, Mr. Dingell. My
2135 name is Robert S. Prather, Jr. I am President of Gray
2136 Television, and I want to thank you for inviting us to speak
2137 here today.

2138 Gray Television is a public company listed on the New
2139 York Stock Exchange, headquartered in Atlanta, Georgia. We
2140 currently own 36 stations in 30 markets, TMAs 58 to 188. In
2141 addition, we are broadcasting 40 digital channels on our
2142 digital spectrum through the multi-cast. We have got 17 CBS,
2143 10 NBC, 8 ABC, and 1 lonely FOX.

2144 We are very proud of the fact that we have got 24
2145 stations out of our group that are number one leaders in
2146 their markets, 16 have been number one for 50 straight years
2147 or more, which tells you we have got a long history of being
2148 a part of the fabric of these communities. We have one
2149 station in Huntington, Charleston, West Virginia, that is
2150 celebrating its 60th anniversary, and it has been number one
2151 every day since it has been on the air. So very proud of
2152 that.

2153 But as of February 17, 28 Gray stations transitioned to
2154 DTV. We believe our stations give a great case study of how

2155 preparation, community outreach, and willingness to go the
2156 extra mile can prepare viewers for DTV. One thing we said
2157 right up front was we want one viewer at a time, and we had
2158 every one of our managers committed to making sure we took
2159 care of every single viewer that called or came to the
2160 station, e-mailed, however they wanted to contact us. We
2161 made sure that they got taken care of.

2162 We spent over \$60 million getting ready for digital
2163 television in both transition equipment and high definition
2164 equipment, and we spent heavily on education and production
2165 of education material for the consumer. Our approach can
2166 best be summed up by Brad Ramsey, our manager in
2167 Charlottesville, Virginia, who said, ``We saw the education
2168 process as an opportunity, not a burden.''

2169 And in response to FCC Educational Initiative, we
2170 started company-wide coordinated consumer education program
2171 in March of 2008. Our stations exceeded the commission's
2172 call for education by consistently airing more public service
2173 announcements, informational calls, and 30-minute
2174 informational segments that the agency rules required. Our
2175 stations extended the consumer education by regularly
2176 including DTV transition in our newscast. In addition, many
2177 of our stations participated in market-wide voluntary soft
2178 tests that showed viewers what would happen if they were not

2179 prepared for the DTV transition.

2180 Earlier this year it was clear that there was a small
2181 percentage of television viewers that would not be ready on
2182 February 17. For broadcasters a delay could mean many
2183 forfeited dollars for tower crews and months of extra utility
2184 bills to keep two transmitters going. I think Congress
2185 wisely balanced the competing needs of unprepared viewers and
2186 broadcasters in the DTV Delay Act.

2187 Gravely, this station's markets were ready on February
2188 17. Furthermore, we believe the viewers would face the same
2189 type of difficulties whether transition occurred in February
2190 or in June. I personally task all our general managers with
2191 assessing whether to proceed with the transition as scheduled
2192 or to delay. Our general managers were instructed to
2193 consider a number of factors, including market readiness,
2194 individual viewer feedback, schedules for tower and equipment
2195 work, and whether the station was moving to a different post-
2196 transition digital channel and transmitter utility costs.

2197 Twenty-two of our stations moved forward on the
2198 transition plan. Eight stations decided to stay with the
2199 analog. In fact, one of our eight stations, WHSV in
2200 Harrisonburg, Virginia, initially moved with the transition
2201 but then reassessed its decision 4 days later and requested
2202 authority from the commission to resume analog broadcasts.

2203 WHSV's location in the Shenandoah Valley in Virginia left it
2204 susceptible to a loss of service in several communities
2205 because the station's digital signal was blocked by
2206 mountainous terrain.

2207 Although the majority of the viewers in the market were
2208 ready for the transition, our general manager made the
2209 decision to resume analog broadcast in order to use the
2210 additional time to seek alternative methods to serve these
2211 communities. Specifically, WHSV is working to acquire and
2212 convert TV translator stations to carry WHSV's digital signal
2213 to those areas where they may experience a total loss of
2214 service.

2215 The number and complexity of viewer calls received on or
2216 immediately after each station's transition varied
2217 significantly by market. Yet in all markets certain trends
2218 were clear. As expected, the volume of calls peaked on
2219 stations transition day, declined steadily every day
2220 thereafter. The majority of the issues could be resolved by
2221 providing instructions over the phone, and station employees
2222 went to extraordinary lengths to aid the handful of viewers
2223 who could not be helped by over-the-phone instructions. In
2224 many markets we had station employees that made house calls
2225 to assist viewers who had more complex problems.

2226 Over and over again Gray stations found that the calls

2227 fell in the same basic categories; improper installation of
2228 converter boxes, the need to rescan DTV sets or converter box
2229 in order to receive the stations on new digital channel, and
2230 antenna issues associated with stations that were moving from
2231 VHF to UHF channels or vice versa. In Gray's experience
2232 questions on how to obtain a coupon or about the status of a
2233 coupon wait list represented a very small fraction of the
2234 calls and even fewer from individuals who were not aware of
2235 the digital transition.

2236 For Gray the digital transition has been a positive
2237 experience. The majority of Gray's viewers are ready for
2238 DTV, but the viewers who were not fully ready, the majority
2239 of their specific concerns could not have been identified or
2240 resolved until a core group of stations completed the
2241 transition.

2242 I appreciate the opportunity to appear before the
2243 subcommittee and look forward to any questions you might
2244 have. Thank you, sir.

2245 [The prepared statement of Mr. Prather follows:]

2246 ***** INSERT H *****

|
2247 Mr. {Weiner.} Well, thank you very much. I yield
2248 myself 5 minutes.

2249 Mr. Prather, in some degrees you were the canary in the
2250 coalmine on a couple of issues. Right?

2251 Mr. {Prather.} Yes.

2252 Mr. {Weiner.} You have the transition, you even had one
2253 that transitioned back.

2254 Mr. {Prather.} Yes.

2255 Mr. {Weiner.} Is June going to be sufficient time for
2256 that station that transitioned to move the mountains and to--
2257 I mean, I see that there are structural problems that you
2258 face. Mr. Morrill referred to them as well.

2259 Mr. {Prather.} That is a good question. I think the
2260 real issue in our particular case is they could get an analog
2261 signal in these mountains, but we are on channel three, which
2262 allows--is a better coverage in mountainous terrain. They
2263 could not get it on our digital channel, and we are working
2264 with the, actually with the county and the State, it is part
2265 West Virginia, part Virginia, to set up some translators,
2266 which we think we can get done by June where those people can
2267 still--they are not even in our market area, but they have
2268 been used to getting our signal for a long time, they like
2269 our local news. We are really the dominant broadcaster in

2270 that part of the country, and so we want to serve those
2271 people. So I think we will be able to, and you know, our
2272 manager made the decision to move back because she felt it
2273 was important to do the right thing in the community.

2274 Mr. {Weiner.} Well, as I referred in the question to
2275 the panel and Mr. Copps referred to it as well, that this,
2276 you know, weird way, the glitch here and the delay has given
2277 opportunity for some testing that wasn't contemplated by the
2278 original law.

2279 Mr. {Prather.} I think that is true, and I think, you
2280 know, people can learn from both the good things that
2281 happened with us and, you know, some of the things,
2282 questions. I think the biggest question that came up for us
2283 was antenna issues, which frankly we didn't anticipate it.
2284 We thought it would be more box issues but--

2285 Mr. {Weiner.} Well, I have to tell you. Despite Mr.
2286 Shapiro's ammunition that we shouldn't have delayed it and we
2287 shouldn't delay it any further, there is--you are going to be
2288 getting a lot of people walking into your retailer saying,
2289 hey, what have you got for a mountain obstacle, or what have
2290 you got, I mean, I think that we have to be prepared for.

2291 Mr. Lloyd, we have got about 15 percent of the
2292 population went through a transition of some sort, but it
2293 seems to me just sort of glancing at the list, they are not

2294 communities that have disproportionate numbers of English as
2295 second language, not a large number of communities that have
2296 high levels of need, not the type of communities that you
2297 were tasked with reaching out to.

2298 All that being said, were there some lessons in those
2299 little pockets that you have now taken and said, oh, we are
2300 in for a mess, or that this isn't going to be so bad? Did
2301 you learn anything from that 15 percent population?

2302 Mr. {Lloyd.} Well, mainly what we have learned is the
2303 real importance of high touch, direct assistance for some of
2304 these populations, and that I think it is very easy for those
2305 of us who are relatively comfortable and sophisticated not to
2306 understand the confusion that is created with this
2307 transition. Even with people who have boxes, the idea that
2308 you need to rescan the box can be very confusing, and we have
2309 gone into homes with senior citizens, people who really view
2310 television as a lifeline service. And really they have been
2311 in tears at the confusion, thinking that they were going to
2312 be able to, they were going to lose television service.

2313 So part of what we have learned is the real importance
2314 of being able to go in the homes, of being able to
2315 communicate directly in language, in Mong, in Vietnamese, and
2316 obviously Spanish and a wide variety of languages, that this
2317 is not going to be handled easily by a PSA campaign or

2318 something that is just going to reach the general population.

2319 These are tough populations to reach.

2320 Mr. {Weiner.} You also have a cultural sense among many
2321 senior citizens that the television is essentially a piece of
2322 furniture, and it turns a switch, something goes on, and I
2323 think that one of the experiences that is going to be
2324 toughest is that the way we are taught to think about
2325 television, we are not used to the idea that bad reception
2326 means no reception. So that is a cultural thing that we need
2327 to, I imagine that we need to overcome as well.

2328 Mr. {Lloyd.} Well, that is right. I mean, the other
2329 thing just very quickly is that a number of folks that we
2330 have talked to had cable service. They want over-the-air
2331 service. They don't think they can continue to actually
2332 afford to continue cable service. And so I think some of the
2333 concern about over-the-air television and the need for over-
2334 the-air television needs to be more fully understood.

2335 Mr. {Weiner.} Uh-huh. Mr. Morrill, just, I am curious
2336 not because I represent a community like Idaho, but what--
2337 have you found that the fixes that you needed to do to deal
2338 with the mountainous terrain, have you, I mean, have you
2339 found that the technological fixes that your colleague is
2340 trying to explain how they work by and large?

2341 Mr. {Morrill.} Well, Mr. Chairman, I do want to point

2342 out that first of all the vast majority of our viewers that
2343 view over-the-air digital TV in Idaho are in great shape. We
2344 have got some great mountaintop transmitter locations that
2345 provide outstanding coverage, but we do have some persistent
2346 pockets, primarily in mountainous communities, that do need
2347 immediate attention by my organization, and I hope the
2348 Federal Government. These digital fill-in areas are going to
2349 be well served by the new guidelines set forth by the FCC.

2350 We are hopeful that those guidelines will be updated so
2351 that local stations will actually be able to get them on the
2352 air in a timely basis, but it all comes down to, sir,
2353 funding. In this economic crisis especially now I am
2354 doubtful that given the current guidelines and funding that
2355 we aren't going to be able to get them on unless we have your
2356 assistance.

2357 Mr. {Weiner.} The gentleman from Illinois recognized
2358 for 5 minutes.

2359 Mr. {Shimkus.} Thank you, Mr. Chairman. I am going to
2360 try to go quickly.

2361 Mr. Wood, how much has Univision paid in essence
2362 advertising in public, you know, announcements to prepare for
2363 the transition, the original one and edition two?

2364 Mr. {Wood.} You know, I can't give you a figure. It is
2365 a substantial amount, 100,000 PSAs, 30-second spots running

2366 in prime time and throughout the day is probably a fairly
2367 substantial value.

2368 Mr. {Shimkus.} We are talking lots of money. Right?

2369 Mr. {Wood.} Lots of money.

2370 Mr. {Shimkus.} And we want to thank you for that,
2371 because prior what we focused on, and we knew that the
2372 industry would step up to the plate, and they have done much,
2373 multiple more than what the government could do, and I would
2374 argue a better job of doing that.

2375 Mr. Severson, there was some opening statements, talk
2376 that mentioned the fact that we will run out of digital
2377 receivers. Do you believe that? That there won't be enough.

2378 Mr. {Severson.} There won't be enough converter boxes?

2379 Mr. {Shimkus.} Yeah. Converter boxes for people to
2380 buy. You probably have, Wal-Mart probably got enough for--

2381 Mr. {Severson.} I don't know that anyone has
2382 established what the right number is yet.

2383 Mr. {Shimkus.} Right.

2384 Mr. {Severson.} And so that is a challenge for us to
2385 all figure out. As we react, the one thing we do, we greatly
2386 appreciate the information that the NTIA feeds us on a
2387 constant basis in terms of where those coupons are going,
2388 how--

2389 Mr. {Shimkus.} Well, I bought my two from Wal-Mart.

2390 Mr. {Severson.} Thank you.

2391 Mr. {Shimkus.} I want you to know. I got my coupons, I
2392 did it early, I listened to the great advertisements, and I
2393 have got my antennas, and they work. So let me--

2394 Mr. {Severson.} We appreciate your business.

2395 Mr. {Shimkus.} Yeah. Let me--Mr. Shapiro, in the
2396 debate on the Floor when we, I think foolishly, delayed this,
2397 and I shouldn't mention this because he is not here, but Mr.
2398 Boucher promised me on the Floor that we would not delay it
2399 any further. So I know that is your concern. I will, as he
2400 knows, will remind him of those statements that--oh, and
2401 there he is. Perfect timing, walking in the door.

2402 Mr. Boucher, I was just saying how on the debate on the
2403 Floor you were pretty strong about committing not to delay
2404 this any--you would do all in your power not to delay this
2405 anymore. So I was just relating that story and in hopes that
2406 that will be your continued position.

2407 Mr. {Boucher.} Would the gentleman yield?

2408 Mr. {Shimkus.} I would be honored to yield.

2409 Mr. {Boucher.} You have an excellent memory.

2410 Mr. {Shimkus.} And without notes from my staff. That
2411 is even better.

2412 The--I want to ask for unanimous consent for a statement
2413 submitted by Qualcomm to be submitted in the record, Mr.

2414 Chairman.

2415 Mr. {Boucher.} Without objection.

2416 [The information follows:]

2417 ***** COMMITTEE INSERT *****

|
2418 Mr. {Shimkus.} And it just points out, and Mr. Dingell
2419 is here, and I have heard him numerous times talk about the
2420 takings provisions of the Constitution. And one the reasons
2421 I had real problems with this legislation is because of the
2422 spectrum auction, a promise of a good, paid for, and then was
2423 taken away, because of the delay, the full use of the 700
2424 megahertz spectrum was not used as initially negotiated, and
2425 I think the letter highlights that there was some harm done
2426 by pushing this back, and that is what the letter actually
2427 highlights.

2428 This question is for the entire panel. We originally
2429 wanted to provide coupons just to exclusively over-the-air
2430 homes, the ones that were actually at risk for losing
2431 service. We made paid television households eligible at the
2432 insistence of my friends on the other side, and about half
2433 the money ended up being spent on those homes.

2434 In hindsight should we have stuck to our guns and
2435 focused only on over-the-air homes? Should we do so now to
2436 make sure we don't have to delay again?

2437 Mr. Wood.

2438 Mr. {Wood.} That is hard for me to answer. I think
2439 that is--

2440 Mr. {Shimkus.} We love putting people in hard-to-answer

2441 questions.

2442 Mr. {Wood.} You know--

2443 Mr. {Shimkus.} That is part of our job here.

2444 Mr. {Wood.} --I will tell you that a substantial
2445 proportion of our audience is over-the-air, that a greater
2446 proportion of our audience than households at large are over-
2447 the-air households, that that has been an obstacle for
2448 Hispanic households in the transition, but as to who the
2449 coupons go to, which houses, I think that is a policy matter.

2450 Mr. {Shimkus.} That is fine. Mr. Severson.

2451 Mr. {Severson.} I feel very similarly that we are here
2452 to take care of the customers, and in this case you have
2453 helped determine who those customers are.

2454 Mr. {Shimkus.} Okay. Mr. Shapiro.

2455 Mr. {Shapiro.} I know Chairman Boucher is concerned
2456 about, as we all are, about the number of boxes that will be
2457 left in those final days, and that is a very difficult
2458 decision for retailers to make an investment in a product
2459 which has a very limited life. It is kind of like food that
2460 spoils. And manufacturers also making that manufacturing
2461 investments decision.

2462 So we have done a lot of work to try to research as to
2463 what that number will be, and we came up with an estimate
2464 that we think is good, and we think there is enough boxes out

2465 there.

2466 But as we have suggested before, if it comes right down
2467 to it, if it comes down to the end and there are not enough
2468 boxes available or there is not enough funding in the program
2469 or whatever it is, there are other alternatives that I think
2470 policymakers should consider. One is to have those coupons
2471 available and to be used for basic cable service or for
2472 satellite or for an upper-end box or even for a stripped down
2473 TV set.

2474 In terms of allocating them, obviously if it comes down
2475 to the end and there is just not enough money in the program
2476 or not enough boxes, that would be a logical triage for
2477 policymakers to face, but I am sure the NTIA people will be
2478 looking to you for guidance.

2479 Mr. {Shimkus.} Mr. Morrill.

2480 Mr. {Morrill.} I think in the perfect world, and we
2481 don't live in a perfect world, yes, everyone should get a
2482 coupon, but clearly it makes sense in a world where we don't
2483 have unlimited resources that putting a priority on those
2484 homes that are exclusively over-the-air kind of makes sense.

2485 Mr. {Shimkus.} Mr. Lloyd.

2486 Mr. {Lloyd.} Yeah. I think it makes sense to put a
2487 priority on over-the-air households, but I would say I don't
2488 think over-the-air households and free and pay TV are fixed

2489 numbers. There are people who have pay TV who want to be
2490 over-the-air, and if they are locked in and you don't have
2491 the opportunity to get to them, they are not going to make
2492 the switch.

2493 Mr. {Shimkus.} And Mr. Prather.

2494 Mr. {Prather.} You know, first of all, I think
2495 everybody in this room would agree that digital television is
2496 a superior product to what analog is, so I think everybody in
2497 America is going to be getting a better product, and I
2498 definitely think over-the-air ought to be a priority. I
2499 think if you can afford cable, you can afford to, you know,
2500 if you need to buy a box for one TV that is not hooked up to
2501 it, but I am a big believer that television is very important
2502 to everybody in America. Virtually 100 percent of the people
2503 have them, and as I said, we are providing a superior
2504 product, much better than anybody has ever had in the history
2505 of television.

2506 Mr. {Shimkus.} Thank you, and thank you, Mr. Chairman.
2507 I will just end by saying I am excited about the transition.
2508 I think the public needs competitive choices, and because of
2509 the things you just mentioned, Mr. Prather, now they really
2510 do. I have had people leave cable. I hate to say that to
2511 some of my friends, to go over-the-air. They no longer have
2512 that additional cost, and they have quality and a lot more

2513 channels than they had before.

2514 And thank you, Mr. Chairman.

2515 Mr. {Boucher.} Thank you, Mr. Shimkus.

2516 The gentleman from Michigan, Mr. Dingell, is recognized
2517 for 5 minutes.

2518 Mr. {Dingell.} Thank you, Mr. Chairman.

2519 This question is to Mr. Shapiro. It was reported last
2520 year you accused Congressional Democrats of fear-mongering,
2521 and I quote there, ``when we expressed concerns about whether
2522 this program was going to work and consumers were going to be
2523 properly treated.'' Did you ever make that comment?

2524 Mr. {Shapiro.} I am happy to say that we contacted that
2525 reporter and asked where they got that from. I was accusing
2526 the fear monger, of fear-mongering, which were actually
2527 individuals in the private sector, specifically probably the
2528 consumers' union.

2529 Mr. {Dingell.} So you never said it?

2530 Mr. {Shapiro.} I definitely used the word, fear-
2531 mongering, but I wasn't referring to elected officials. I
2532 was referring to self-declared consumer representatives.

2533 Mr. {Dingell.} Okay. All right. That comforts me.

2534 Starting with Mr. Wood, and we will go across the panel
2535 here because I would like to hear all of your judgments and
2536 thoughts on this matter. What is, and you got to do this in

2537 about 25 words or less because we don't have much time, but
2538 what is the biggest single problem that has to be addressed
2539 here? And what is the way of getting the greatest benefit to
2540 the consumers to be achieved by this committee, the Congress,
2541 and the regulatory agencies?

2542 Mr. {Wood.} I think for the community we serve the
2543 Hispanic households in America. I think they started out
2544 behind. I think a greater percent are over-the-air
2545 television viewers. They had further to go, fewer of them
2546 were connected to start with.

2547 So as of today we see on March 15 Neilson estimated that
2548 6.1 percent of Hispanic households are not prepared, are not
2549 hooked up, which is 2.5 percent greater than the households
2550 as a whole in the United States.

2551 Mr. {Dingell.} What can we do about this?

2552 Mr. {Wood.} The good news is that it is coming down.
2553 As of the original transition date the number then was--

2554 Mr. {Dingell.} What do we do about this?

2555 Mr. {Wood.} What we are going to do is we are going to
2556 continue to reach out and continue to bring down the number.
2557 We are going to introduce new phases of our campaign where we
2558 address the feedback we have gotten, Mr. Chairman. For
2559 example--

2560 Mr. {Dingell.} Do you have any advice to the committee

2561 as to what we should see is done about this?

2562 Mr. {Wood.} Well, what we are going to focus on is
2563 antennas, the need to scan, exactly the things that Chairman
2564 Copps mentioned in the first panel. I think that the items
2565 that they have identified are the correct items. It is the
2566 same feedback we have gotten.

2567 Mr. {Dingell.} I got to go to the next panel members.
2568 Mr. Severson.

2569 Mr. {Severson.} Thank you. The biggest concern I have,
2570 the biggest challenges that we have got to stop changing
2571 things. The customer is confused, and so we just need to
2572 stick to our guns, stick to the date, and start re-
2573 communicating things--

2574 Mr. {Dingell.} What can be done about that?

2575 Mr. {Severson.} I am sorry?

2576 Mr. {Dingell.} What is to be done about that?

2577 Mr. {Severson.} What is to be done? To make sure that
2578 we communicate on an ongoing basis that June 12 is the date,
2579 and that the customers understand that.

2580 Mr. {Dingell.} That is regulatory agencies, the FCC and
2581 the NTIA. What are they to do about that?

2582 Mr. {Severson.} I think that the role that they are
2583 playing with us in terms of feeding us good information is
2584 exactly what we need because that allows us to determine

2585 future demand.

2586 Mr. {Dingell.} Thank you, sir. Mr. Shapiro.

2587 Mr. {Shapiro.} I can't think of a more successful
2588 public education effort than the one of the industry and
2589 government has worked on together for this one. I suspect
2590 that more people know about this transition than can name the
2591 present Vice President of the United States or the previous
2592 Vice President of the United States. It has succeeded. The
2593 challenge is one change is almost a bye, and it is very
2594 confusing. Our experience of the consumers is--and we have
2595 asked a lot. We have done research for years and years on
2596 this. Their awareness is very high, but now they are a
2597 little confused about the date because February has passed,
2598 and analog is still there for some of them.

2599 So not change--

2600 Mr. {Dingell.} What would the regulatory agencies--

2601 Mr. {Shapiro.} Well, I would say Congress should do no
2602 harm and not changing it. The regulatory agencies are doing
2603 a great job, finish out the program, declare victory, and
2604 move on. A year from now we will look back at this and the
2605 rest of the world will look back and say the U.S. had the
2606 most successful transition in history. We will be the
2607 example for the world. Europe and Japan both screwed this up
2608 and had to start over.

2609 Mr. {Dingell.} I have to go to other members of the
2610 panel. Mr. Morrill.

2611 Mr. {Morrill.} Well, there have actually been some
2612 pretty good ideas coming down the line here. I would have to
2613 say the number one thing is continued investment in consumer
2614 education. That would be my number one, and of course, I
2615 can't give up on this fill-in translator issue also.
2616 Investment in that so that people that have had high quality
2617 over-the-air service will continue to get it after the
2618 transition.

2619 Mr. {Dingell.} Mr. Lloyd.

2620 Mr. {Lloyd.} Chairman Dingell, I would just say it is
2621 extraordinarily important for this committee to continue the
2622 close oversight of what the agencies do and to ask directly
2623 whether or not they are making sure they are funding people
2624 who are on the ground to get to those hard-to-reach,
2625 vulnerable communities that the PSAs didn't get to. And,
2626 again, making sure that there are people on the ground who
2627 are hearing from people and that they are getting the
2628 assistance that they need to get the service.

2629 Mr. {Dingell.} Thank you. Mr. Prather.

2630 Mr. {Prather.} Mr. Dingell, I think the FCC, and I
2631 think they have done a relatively good job of this, should
2632 take the same attitude that we took of one viewer at a time

2633 and just, you know, have phone banks and make sure they have
2634 got people that are trained and educated to answer these
2635 questions. We found out that we had out of 28 stations we
2636 had roughly less than 10,000 phone calls. We answered every
2637 single one of them, and we spent from a minute to 45 minutes
2638 with people, going through what they need to do. I would say
2639 80 or 90 percent of the questions were related to how do I
2640 turn this converter box on or how do I scan it. Probably the
2641 second was regarding the antenna issues, going from VHF, UHF,
2642 those things.

2643 But I don't think we left a single person feeling like
2644 they hadn't gotten service, and like I said, we even went to
2645 peoples' homes that were really, knew they had a problem or
2646 it was some issue that we couldn't solve over the phone. And
2647 I know the FCC can't go to peoples' homes, but I think the
2648 phone banks and just the education of the people they got
2649 answering the calls around the country can do the same thing
2650 that we have done.

2651 And I think most stations that are community oriented
2652 like we are will also take that same approach, because our
2653 viewers are our most important asset.

2654 Mr. {Dingell.} Thank you. Mr. Chairman, I have a
2655 unanimous consent request before I yield the floor. I am
2656 going to send a letter down to the NTIA and the FCC

2657 requesting certain information. I would ask unanimous
2658 consent that that letter be inserted in the record and that
2659 the record be kept open to receive the responses of the FCC
2660 and the NTIA.

2661 Mr. {Boucher.} Without objection and the record will
2662 remain open for public members to submit questions to our
2663 panel of witnesses and for those responses to be received.

2664 [The information follows:]

2665 ***** COMMITTEE INSERT *****

|
2666 Mr. {Boucher.} Anything further, Mr. Dingell?

2667 The question that I want to focus on relates to the
2668 level of assurance we have that we will have a sufficient
2669 number of converter boxes available as we approach June the
2670 12th.

2671 But before I turn to that question, let me say for what
2672 probably now is the at least tenth time, that there shall be
2673 no further postponement of the DTV transition. And no
2674 requests for further postponements will be entertained by
2675 this subcommittee. Chairman Waxman has been equally
2676 demonstrative in expressing the same viewpoint from his
2677 vantage point as full committee chairman. So rest assured
2678 that there shall be no further postponement.

2679 Mr. Shapiro and Mr. Severson, my questions are going to
2680 be primarily directed to the two of you, but other panel
2681 members are welcome to comment as you desire.

2682 I am concerned about whether or not we are going to have
2683 adequate converter boxes available, and I am just looking at
2684 a series of numbers that don't seem to match. As of
2685 yesterday in the report that we got from NTIA there were
2686 almost 9.3 million coupons that had been issued but not
2687 redeemed. These are active coupons in circulation.

2688 The current conversion rate, the redemption rate that we

2689 have for coupons redeemed for converter boxes is right at 60
2690 percent, and assuming that that rate is experienced from now
2691 until June, we could certainly anticipate that as many as 5.5
2692 million boxes would be necessary just to meet the 60 percent
2693 conversion rate the than 9.2 million coupons currently
2694 outstanding.

2695 And that number doesn't take into account the fact that
2696 as of yesterday NTIA was getting more than 100,000 new
2697 requests for coupons every day. In fact, yesterday's number
2698 was 140,000, and we have seen the numbers continue to climb
2699 just over the course of the last week. It went from 91,000
2700 on Tuesday to 140,000 yesterday, and we have seen an upward
2701 curve, a consistent upward curve over the last month. That
2702 may continue, and obviously many of those coupons, let us
2703 assume 60 percent, are going to be redeemed for converter
2704 boxes.

2705 Also unaccounted for in these numbers are the converter
2706 boxes that people simply buy with their own money and don't
2707 use coupons in order to purchase. I heard one witness
2708 earlier today suggest, I believe Mr. Severson, it might have
2709 been you, that about 90 or 95 percent of your converter boxes
2710 are coupon supported, but you have got some significant
2711 number, 5 to 10 percent, that are not. So that is even more.

2712 And so, Mr. Shapiro, I am a little concerned about your

2713 estimate of only 4.2 million total boxes being needed from
2714 April until June the 12th. That doesn't seem to square with
2715 these numbers. And rather than just quarrel about those
2716 numbers, let me ask what perhaps is a better question, you
2717 can respond to all of this at once, to what extent is there
2718 close coordination from NTIA to the retailers to the
2719 manufacturers of information about coupon requests, coupon
2720 redemptions, so that some realistic projections can actually
2721 be made by the manufacturers based upon good estimates of
2722 what future demands will be?

2723 And if the answer to that question is right, then your
2724 4.2 million figure gives me less concern. I mean, if there
2725 really is good flow of information, and we can have some
2726 confidence that manufacturers really are going to respond
2727 very quickly, and I think you used the word, nimbly, before
2728 in order to meet whatever the demand really is.

2729 So it is a long question. This is what concerns me the
2730 most about the transition from this point forward. So Mr.
2731 Severson, Mr. Shapiro, whoever wants to begin.

2732 Mr. {Severson.} I will answer from a Wal-Mart
2733 perspective and then Mr. Shapiro can answer from an industry
2734 perspective.

2735 As I stated before, the information that we get on a
2736 weekly basis from the NTIA is invaluable. We get information

2737 in terms of totals but also by zip code so that we can break
2738 those down, look at the redemption rate, look at our market
2739 share of that product. That allows us to not only understand
2740 where we should be sending product, because it has to be
2741 distributed throughout the United States, but also allows us
2742 to understand the trend of the coupons and the redemption
2743 rates and things like that.

2744 We are--so we analyze that data on a weekly basis by
2745 store. Over 4,500--our systems allow us to look at that and
2746 make those determinations and determine do we have enough
2747 product coming. Rest assured there is always product in the
2748 pipeline, and then when do we need to go out and order more
2749 product to be able to manufacture and have product on hand
2750 for the month and a half to 2 months from now that we are
2751 going to need that product.

2752 Mr. {Boucher.} And how nimbly do these manufacturers
2753 respond to your information suggesting that you are going to
2754 have an increased demand?

2755 Mr. {Severson.} Sure. So we work with two suppliers
2756 specifically that we partnered with a year and a half ago to
2757 determine these are folks that we do a lot of business with,
2758 they are ones that are going to work very closely with us,
2759 they are in it for the long haul, not just for a
2760 transactional basis. They are going to make sure that they

2761 build a quality product and be able to deliver it on time.

2762 So we feel fairly confident as we work with them on an
2763 ongoing basis to talk about the supply and also the parts
2764 that are needed and the timing. We are in the business of
2765 taking care of our customers. That is what we do, and so we
2766 are reacting to our customer and how they are looking to be
2767 served on this so that we can take care of them.

2768 Mr. {Boucher.} And the manufacturers are responding
2769 appropriately as you tell them you need new boxes?

2770 Mr. {Severson.} We are their customer, and they are
2771 responding to us. So, yeah.

2772 Mr. {Boucher.} So the answer is yes?

2773 Mr. {Severson.} Yes.

2774 Mr. {Boucher.} Are you worried? Are you worried that
2775 there will not be enough boxes to meet the demand?

2776 Mr. {Severson.} No. My biggest concern is that I will
2777 end up with too many boxes at the end, and the demand goes
2778 away, and then I have got nothing to do with--

2779 Mr. {Boucher.} Well, you obviously have to, you know,
2780 account for inventory and be sure that--

2781 Mr. {Severson.} Absolutely.

2782 Mr. {Boucher.} --you don't oversupply.

2783 Mr. {Severson.} Sure.

2784 Mr. {Boucher.} Mr. Shapiro, where did you get your 4.2

2785 million number, and are you persuaded based on what you have
2786 heard today that maybe a higher number will be required?

2787 Mr. {Shapiro.} The flow of information from NTIA is
2788 very good. I am persuaded that the number will change along
2789 the way, it will go up or down. What we did is we have
2790 talked to--

2791 Mr. {Boucher.} Well, just based on their currently
2792 outstanding coupons and current redemption rate.

2793 Mr. {Shapiro.} Well, I am not aware of the last few
2794 days but--

2795 Mr. {Boucher.} I am sorry. What?

2796 Mr. {Shapiro.} --we use a 65 percent rate rather than
2797 the 60 percent rate--

2798 Mr. {Boucher.} That is even higher.

2799 Mr. {Shapiro.} --in terms of redemption. You might
2800 have gone a little further out in time than we did, so maybe
2801 that balances out, and you also have more recent data than we
2802 were using. But what we did is we went out to major
2803 manufacturers, major retailers, and they are very cooperative
2804 with us for the most part. We don't get everybody, but we
2805 get most of them on both sides. And we know that at least
2806 four manufacturers are still making these boxes today. And
2807 they are responding to people like Mr. Severson next to me
2808 immediately, and they are monitoring this.

2809 So it is a marketplace, and you know, we are very
2810 mindful of the Anti-Trust Laws. We have considered going out
2811 with direct questions perhaps with your signature or someone
2812 else's like you would be very helpful in terms of trying to
2813 gather actual data for what they are planning if you are that
2814 concerned in terms of getting the precise number. But it is
2815 the balance that every store is facing the same one. Do you
2816 order too much or do you order too little? They hate to say,
2817 you know, send a customer elsewhere, but they don't want to
2818 get stuck with inventory which has no value.

2819 We are already starting to see scores of these things on
2820 eBay and Amazon at under the \$40 coupon value. Now, there is
2821 a secondary market developing. You know, the flea market is
2822 a wonderful thing. So in terms of where we end up, the
2823 number is starting to change, but that is a good thing, and
2824 we expect there will be spot shortages, which--and there may
2825 even be occasionally a minor locality or geographic shortage,
2826 but sophisticated retailers are always moving around and
2827 respond to a situation.

2828 Mr. {Boucher.} My concern about your number is that the
2829 manufacturers may look to you being here, being close to the
2830 situation, following it through your trade association every
2831 day, talking to NTIA on a regular basis, for advice as to the
2832 number of boxes they ought to manufacture. And if 4.2

2833 million becomes the benchmark, we are going to fall short.
2834 We will fall short even based on the outstanding coupons that
2835 exist today, much less the ones that are going to be
2836 requested in the future.

2837 And so I am concerned about that. I welcome your
2838 suggestion that perhaps there is a role we can play through
2839 making appropriate inquiries to manufacturers and or
2840 retailers. Perhaps in the course of our letters asking
2841 questions containing the projections that we see just based
2842 on the numbers presented and suggesting that higher number of
2843 boxes may be necessary.

2844 And if you would care to interact with us informally
2845 afterwards and make more concrete suggestions about what
2846 might be constructive in that respect, we would welcome it.

2847 But I hope that as your manufacturers are talking with
2848 you that you are giving them some very clear guidance about
2849 this and sharing NTIA's current numbers so that they actually
2850 have the benefit of that also.

2851 Mr. {Shapiro.} You know, there is one thing that
2852 concerns an association. It is the Anti-Trust Laws, and we
2853 don't give guidance. We try to communicate the facts.

2854 Mr. {Boucher.} You can share information.

2855 Mr. {Shapiro.} We will be happy to share information
2856 consistent with the law. The \$140,000, the 140,000 unit a

2857 day request for coupons, if that continues, the numbers will
2858 go up rapidly, but the normalized rate that we were using was
2859 70,000 coupons a day.

2860 Mr. {Boucher.} It is higher today.

2861 Mr. Prather.

2862 Mr. {Prather.} Chairman, I will maybe try to relieve
2863 your mind a little bit. I know--

2864 Mr. {Boucher.} I would appreciate that.

2865 Mr. {Prather.} --we haven't gotten into the big cities
2866 yet, but in our markets, which is DMA 58 to 188, to give you
2867 an example in Omaha, market 75, we had a little over 600
2868 calls. We had 33 calls asking about coupons. In Lincoln,
2869 which is market 101, we had 1,016 calls. We had two calls
2870 asking about coupons. And Augusta, Georgia, which has a
2871 heavy minority of black, Spanish, and Chinese, we had 3,000
2872 calls there, but it was 90 percent related to how do I turn
2873 the box on? I mean, literally, you know, and how do I scan
2874 it. We had less than 50 calls there about coupons.

2875 So in our markets, and I am saying I am not speaking for
2876 New York City and Chicago and Detroit and all these other
2877 places, but it didn't seem to be very much of an issue at all
2878 in our markets--

2879 Mr. {Boucher.} Well, thank you.

2880 Mr. {Prather.} --if they didn't have a coupon and

2881 couldn't get it, you think they would have been calling--

2882 Mr. {Boucher.} Well, thank you for that, Mr. Prather.

2883 That is not the problem I am really addressing. It is not

2884 the situation about box availability today, which is

2885 adequate. It is the situation about box availability in May

2886 when we may find that we have a shortage. And we are not

2887 going to postpone this transition again, so we need to get it

2888 right and--

2889 Mr. {Prather.} Yeah.

2890 Mr. {Boucher.} --this is why we are having the hearing

2891 today to figure out what needs to be done to make sure we

2892 don't have future problems.

2893 Anyone else want to comment on this? Mr. Shapiro.

2894 Mr. {Shapiro.} Could I just say, Mr. Boucher, I don't

2895 know if you were in the room when I suggested this earlier

2896 but the back-up plan that I would suggest is if there not

2897 enough boxes available, then the government in a big sense be

2898 ready to declare such and allow those coupons to be used for

2899 converter boxes which are not eligible, higher end, cable

2900 service, satellite, or even lower-end HDTVs as a back up.

2901 But the danger in even talking about that is then you

2902 will have all these people who want coupons on the basis that

2903 maybe that will occur. So it is a little bit of a catch 22,

2904 but that is the safety valve that is possible.

2905 Mr. {Boucher.} To be taken under advisement. I had
2906 sketched out a question here about what is being done in
2907 order to help people who are having problems with antennas
2908 once they install their converter boxes, and I suspect
2909 everyone here who is on the front line of offering assistance
2910 is experiencing requests for that.

2911 But I think you have answered those questions in
2912 response to questions posed by other members. And it is also
2913 been quite a long day, and you have been most patient and
2914 staying with us through a long break while we had votes on
2915 the Floor.

2916 So I want to say thank you. This has been an
2917 extraordinarily helpful session today. Both panels have been
2918 superb in their testimony and have enlightened up, and we
2919 probably will be sending some additional questions to you as
2920 other members of the subcommittee submit their questions.
2921 When those arrive, please respond as quickly as you can.

2922 So with thanks to both panels of witnesses, oh, and I am
2923 supposed to put this in the record. Mr. Shimkus, he is gone.
2924 Well, I can, I am the only one who gets to object, and I
2925 don't intend to. Well, so, unanimous consent is granted to
2926 place in the record the statement of Mr. Bill Stone, Senior
2927 Vice President of Qualcomm regarding the digital television
2928 transition. Also the statement of the Community

2929 Broadcasters' Association.

2930 [The information follows:]

2931 ***** COMMITTEE INSERT *****

|
2932 Mr. {Boucher.} All right. No one is objecting. So
2933 without objection.

2934 And thank you so much for your presentations today.

2935 With that the hearing stands adjourned.

2936 [Whereupon, at 2:00 p.m., the subcommittee was
2937 adjourned.]