



Nonprofit Publisher
of Consumer Reports

Testimony of

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Regarding

**Status of the Digital Television Transition:
370 Days and Counting**

Before the

U.S. House of Representatives Subcommittee on
Telecommunications and the Internet, Committee on
Energy and Commerce

On

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Chairman Markey, Ranking Member Stearns, Vice Chairman Doyle, and members of the Committee, I am grateful for the opportunity to testify before you today representing Consumers Union (CU), the non-profit publisher of Consumer Reports magazine.¹ We're a publication with a 72-year history of bringing consumers independent information on products, services, and marketplace developments that affect them. With over 8 million subscribers to our content in print and online, we are a consumer-supported, independent publisher that accepts no money from retailers or manufacturers.

We're here today because one year from Sunday, due to a federal mandate, full power television stations will stop broadcasting in analog and begin broadcasting exclusively in digital (DTV transition). This matters a great deal to consumers, because for millions of "over the air only" households (at least 13.5 million according to a Consumer Electronics Association estimate), their televisions are going to go black on the conversion date unless they take action. And because of the attention the DTV transition will receive, virtually every American will likely be asking him or herself the question: What do I need to do to ensure I keep getting TV signals? Do I need a new television? A converter box? Perhaps a new antenna?

Data on consumer awareness of the DTV transition is mixed. The good news is that more consumers are becoming "aware" that something is going to happen on February 17, 2009. The bad news is that most of them are confused about what they need to do.

It seems like nearly every consumer that owns a TV is going out to spend money they don't have to on equipment that they don't need. Let's remember that consumers didn't ask for the digital television transition—this is the result of a federal mandate—so government has a responsibility to sort through the noise and help consumers find the least-cost path to switch to digital.

Our Consumer Reports National Research Center conducted a survey² on the DTV transition which had some troubling findings. Here are a few highlights:

- Three of every four consumers (74%) have major misconceptions about what the transition is and what they should do to prepare—and one in three (36%) doesn't know about it at all.
- Nearly half (48%) of consumers believe every TV has to be a digital TV—those consumers are more likely to go out and buy a new TV set when they don't need to do that. It's not necessarily a bad thing to buy those new TV sets as long as consumers know they have lower-cost options.
- One in four consumers (24%) believe they have to throw out all their analog TV sets; this is of course totally wrong, and we hope we'll see better education to change this perception, and better information about what consumers can do with old TV sets.

¹ Consumers Union is a nonprofit membership organization chartered in 1936 under the laws of the State of New York to provide consumers with information, education and counsel about goods, services, health, and personal finance. Consumers Union's income is solely derived from the sale of *Consumer Reports*, its other publications and from noncommercial contributions, grants and fees. In addition to reports on Consumers Union's own product testing, *Consumer Reports* regularly carries articles on health, product safety, marketplace economics and legislative, judicial and regulatory actions that affect consumer welfare. Consumers Union's publications carry no advertising and receive no commercial support.

² The Consumer Reports National Research Center conducted a telephone survey of a nationally representative probability sample of telephone households. 1,013 interviews were completed among adults aged 18+. Interviewing took place over Dec. 13-16, 2007.

- Of those aware of the transition, most (73%) don't know about the National Telecommunications and Information Administration's (NTIA's) converter box program. Given that the program just kicked off January 1, it wouldn't be fair to criticize NTIA for this low awareness—we anticipate it will increase significantly, but we will continue to monitor.
- Most consumers (61%) that will have at least one TV set affected by the transition either 1) wrongly believe they're not affected, 2) do not know if they're affected, or 3) have no idea the transition is taking place.

“Awareness” is good, but it's accurate information that really matters for consumers. It's one thing to be “aware” that one is standing in the path of a careening bus, but a different matter to know which direction to sidestep the oncoming impact. While other surveys are finding an up tick in consumer awareness—that's progress from a year ago—it would be more heartening if more consumers knew in practical terms what steps they could take towards the least-cost switchover to digital.

The digital television transition creates unique vulnerabilities for consumers and therefore unique opportunities for businesses to mislead them. Along with the technical complexities of the transition, there are strong incentives by a variety of market players to “digital up sell” to consumers.

Cable companies have an incentive to encourage non-subscribers to purchase their service, and to up sell current subscribers to digital cable. Retailers and manufacturers have an incentive to sell high-end HDTVs rather than more affordable, smaller-screen digital sets. And they have little incentive to inform consumers that their analog sets will continue to receive digital broadcasts as long as they have a converter box.

This combination of consumer confusion, technological complexity, and financial incentives to up sell creates a situation ripe for confusion and mischief. In closing, CU would like to offer some recommendations to consumers and the Committee to help cut through the confusion:

1. For consumers who intend to get a converter box, we suggest you apply early and don't delay more than 90 days to buy the box, since funds are limited and the coupon expires 90 days from the application date.
2. We suggest people try tuning into a digital station in their area right now to see where they stand with reception, and not wait until analog shuts down. Stations are already broadcasting in digital, so don't wait until the last minute to test your signal.
3. NTIA and the FCC, the agencies in charge of the digital transition, need to keep their hands on the steering wheel. So far, these agencies are in large measure relying on industry to educate consumers about the transition, but we believe they have a responsibility to help consumers filter through the noise to find unbiased information, and determine what the “least-cost” path to digital will be.
4. Policymakers should try to enroll some test markets in making the jump to digital early. We're not the first country to switch to digital—the UK, Italy, Germany, and others have already begun the digital switch—but in a gradual fashion so that they can iron out the kinks as they go. Consumers Union believes we should have a similar phased-in approach here in the U.S. No communities have thus far volunteered to do the switch early, and the

FCC doesn't have the authority to force anyone to transition early. We need some mayors or governors to consider stepping up early as test markets, and perhaps the FCC or NTIA could provide financial incentives for them to do so.

5. Policymakers should develop localized action plans that focus on strategic outreach to the most affected communities. Special attention needs to be paid to getting seniors good information about the least-cost digital switch, and assistance installing any new devices. The DTV transition will also create disproportionate effects on Latinos; further leadership from the CHC is critical, as is targeted outreach to Latino media.
6. For members of Congress who want more detailed data about your districts and who may be affected, Nielsen has been willing to provide such data. Knowing who is affected is the first step to developing a meaningful localized action plan.

On February 17, 2009, the U.S. is going to make the jump to digital. Unless adequate public education takes place to minimize transition hiccups, millions of Americans may wake up that morning and find their TVs don't work anymore. If we're going to avoid that scenario, I humbly submit to the Committee that we're going to have to get our act together, and fast.

Thank you Mr. Chairman once again for the opportunity to appear before your Committee.

Consumer Reports has some good materials available on the DTV transition which can be found at:

- www.consumersunion.org/dtv
- www.hearstnow.org

Below are other good resources for consumers:

- NTIA's Converter Box Program Web site - www.DTV2009.gov
- FCC DTV Transition page - www.DTV.gov
- FCC DTV "Frequently Asked Questions" page - www.dtv.gov/consumercorner.html
- FCC DTV Shopping Guide (En Español) - www.fcc.gov/cgb/consumerfacts/spanish/DTVShoppersGuide_sp.pdf
- AARP "Get Ready for Digital TV" - www.aarp.org/money/wise_consumer/telephones/digital_tv.html