

**Testimony of Tom Romeo
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**Before the Subcommittee on Telecommunications and the Internet
U.S. House Energy & Commerce Committee**

Hearing on Status of the DTV Transition – 154 Days and Counting

September 16, 2008

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to testify before you again on the status of the DTV Transition. My name is Tom Romeo and I am Vice President of Federal Services for IBM's Global Business Services, Public Sector. I am here today to update you on the progress the IBM Team is making implementing the National Telecommunications and Information Administration (NTIA) TV Converter Box Coupon Program.

Background

The Coupon Program, authorized by the Digital Television Transition and Public Safety Act of 2005, provides for distribution and redemption of coupons that consumers may apply toward the purchase of certified digital-to-analog converter boxes from participating retailers. As you know, this act allows U.S. households to request a maximum of two coupons, worth \$40 each, to be used toward the purchase of a certified converter box.

NTIA awarded IBM the contract to provide services for the TV Converter Box Coupon Program on August, 15, 2007. Working within the program parameters, IBM designed the NTIA TV Converter Box Coupon Program to be consumer-focused, easy to use,

and provide maximum choice and access for both consumers and retailers. IBM and its business partners, Ketchum Public Affairs, Epiq Systems and Corporate Lodging

Consultants are providing services in four areas:

- Consumer education
- Coupon distribution to consumers and redemption
- Support for retail store participation
- Financial processing to reimburse retailers, and to maintain records.

Ensuring high retailer participation and satisfaction are essential elements to the overall success of the program. Our goal continues to be to successfully communicate the details of the TV Converter Box Coupon Program to targeted consumers, distribute coupons, and complete the redemption process efficiently.

Program Metrics and Status

On January 1, 2008 the Consumer Support Center opened for business and began to take orders from consumers across the nation for their TV Converter Box Coupons.

Consumers continue to be able to order coupons using any of the four available options.

Applying online at www.DTV2009.gov continues to be the option used most frequently

by consumers. Other options include the toll-free phone number (1-888-DTV-2009)

which is operational 24x7 to accept coupon orders, and by mail (P.O. Box 2000,

Portland, OR 97208-2000) or via fax (1-888-DTV-4ME2). Coupon application forms

are also available in Braille for the visually impaired.

As we reported to you in June, interest in the TV Converter Box Coupon Program continues to grow. Consumer demand for coupons remains high with over 26,686,001 total coupons ordered as of September 10 representing an average of more than 3,000,000 coupons ordered on a monthly basis.

The continued high rate of demand is exceeding expectations. Consumers requested the total initial base phase allotment of 22,250,000 coupons as of July 31, 2008. After hitting this milestone, the Coupon Program shifted to a two-track distribution mode. The Program now ships both contingent phase coupons which go only to over-the-air reliant households, as well as “recycled” initial base phase coupons. Because the redemption rate for coupons remains below 100%, funds continue to be available to recycle coupons from the initial base phase of the program. This allows households not solely reliant on over-the-air broadcasting to continue to request and receive coupons. Between August 1 and September 10 a total of 2,020,219 “recycled” coupons were ordered. During this same time frame, 2,415,782 contingent phase coupons were ordered.

The unique and fluid nature of the Coupon Program continues to require our team to react quickly to pinpoint needed adjustments and implement alternative solutions when necessary along the way. When Wilmington, North Carolina was designated as a test market for the DTV transition, we were able to expedite updates to the web site providing information specifically tailored to consumers in Wilmington. We refined consumer education targeted for the Wilmington market resulting in over 70,000 coupons ordered by Wilmington residents.

We continue to refine the Interactive Voice Response (IVR) system to make it easier and faster for callers to order their coupons over the phone. A new IVR script implemented in July increased by 15% the number of callers able to complete their coupon order within the IVR system. Overall, the IVR system is able to support 60-65% of the callers without the need for a live agent, a very high IVR resolution rate by industry standards. We continue to adjust messaging on both the English and Spanish IVR system to expedite the coupon ordering process, and provide a positive experience for the consumer.

Retail Participation

I am pleased to report the voluntary participation of both large national retailers and smaller, local retailers remains strong. As of August 29, 2008 a total of 2,316 retailers representing more than 29,053 stores nationwide are currently certified and participating in the program. Eight of the largest consumer electronics retailers – Best Buy, Circuit City, Fry's, Radio Shack, Sears, Sam's Club, Target, and Wal-Mart are among the retailers participating in the Coupon Program. This includes locations in all 50 states, Guam, Puerto Rico, and the U.S. Virgin Islands. These stores have completed certification in the Coupon Program, indicated that their employees are trained, have converter box inventory in their stores, and have their point-of-sale systems prepared to redeem coupons. Consumers are also able to order converter boxes from 35 online retailers, or from any of the 13 retailers offering a phone order option.

Amazon.com became a participating online retailer earlier this month. A list of all participating retail outlets, searchable by state and 5-digit zip code, can be found on www.DTV2009.gov under “Locate a Retailer Near You.”

Consumer Education

The strong demand for coupons indicates the effectiveness of our consumer education strategy. We are on the right track educating consumers about the Coupon Program, and remain focused on intensifying and further refining consumer education as we head toward February 2009. Our partner, Ketchum Public Affairs, continues to lead the consumer education effort focused on the five communities who most likely rely more heavily on over-the-air broadcasting than the general population: 1) senior and older Americans; 2) the economically disadvantaged; 3) rural residents; 4) people with disabilities; and 5) minorities. We continue to build and leverage a network of committed partners who already have access to many of the population segments we are targeting, and currently work with over 300 public and private sector partners with ties to senior citizen, rural and disability communities. The Partnership Toolkit which includes DTV and Coupon Program background material, fact sheets, posters, sample public service announcements, and presentations is co-branded for use by partners at a variety of events. Also included and used by our partners are specific strategies on how to reach the media to effectively deliver the Coupon Program message, and ideas and resources for informing consumers through community and in-store events. In addition, our work with the media to place stories about the Coupon Program is heavily focused not only on national media, but also the television markets that have the largest estimated number and percentage of over-the-air reliant households.

The proportion of households ordering coupons who self-identify as over-the-air reliant has increased from 47% in January to 55% today. The consumer education campaign is increasing its reach to those consumers most at risk as we transition to digital broadcasting.

We are now refining Coupon Program messaging to encourage consumers to act early in the process and order their coupons prior to December 31, 2008. Today, a consumer can expect to have their coupon order processed and mailed within 10-15 days, and to receive their coupon within 3-4 weeks of placing their order. Ordering coupons prior to the end of 2008 will give consumers enough time to buy a converter box, install it, and trouble shoot any issues before February 17, 2009.

Conclusion

As mentioned above, educating consumers to take action and order coupons before the end of 2008 is a high priority for the Program and an important component to a smooth transition overall. The majority of consumer messaging is focused on making sure consumers understand the transition to digital broadcasting will occur on February 17, 2009. Consumers who wait until February 17 or after that date to request their coupons may not realize that it will take several weeks for their coupons to arrive by mail. In light of these sobering scenarios, we are working with our partners to adjust public messaging to encourage consumers to act well in advance of the February 17 transition date.

The IBM Team is pleased to be part of implementing this vital program and recognizes that many challenges remain on the way to February 17, 2009. Our team continues to be ready to meet those challenges and work to ensure that consumers across the United States have continued access to free television broadcasting, including educational, entertainment, emergency and homeland-security information.

Thank you for the opportunity to testify today and I will be happy to answer any questions.