

**Summary of
Testimony of Tom Romeo
Director of Federal Services
IBM Global Business Services, Public Sector
Before the Subcommittee on Telecommunications and the Internet
U.S. House Energy & Commerce Committee**

**Hearing on Status of the DTV Transition – Part 2
October 17, 2007**

NTIA awarded IBM the contract to provide services for the Digital-to-Analog Converter Box Coupon Program on August, 15, 2007.

IBM and its business partners, Ketchum Public Affairs, Epiq Systems and Corporate Lodging Consultants will provide services in four areas:

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

IBM will act as the systems integrator and provide overall project oversight. The team includes three primary partners with extremely relevant experience supporting key elements of the program. Ketchum, Inc., a public relations agency IBM has worked with for more than 10 years, will provide consumer education and outreach. Epiq Systems (formerly Poorman-Douglas Corp.), a company with deep experience in executing consumer programs with geographically dispersed, hard-to-reach populations, will staff the critical consumer-facing help desk and manage coupon distribution to consumers. Corporate Lodging Consultants, Inc. (CLC) will perform retail interactions (including retailer certification) and financial processing to reimburse retailers. In addition, CLC will take a lead role in implementing effective measures to prevent waste, fraud, and abuse. CLC provides proven fulfillment, electronic auditing, billing, and reporting solutions and has been very successful in translating its commercial expertise to the federal government environment.

The NTIA Digital-to-Analog Converter Box Coupon Program is consumer-focused, easy to use, and provides maximum choice and access for both consumers and retailers. Ensuring high retailer participation and satisfaction are driving factors in the design of the retailer component of the program. Our goal is to successfully communicate the details of the converter box program to targeted consumers, distribute coupons, and complete the redemption process with minimal waste, fraud and abuse.

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October 17, 2007

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to testify before you today on the status of the DTV Transition. My name is Tom Romeo and I am Director of Federal Services for IBM's Global Business Services, Public Sector. IBM and my team are proud to be involved with many high profile projects with the United States Department of Commerce, including the recent award of the Census Bureau Data Access and Dissemination System and, of course, the contract that we have with the National Telecommunications and Information Administration (NTIA). I am here today to talk about IBM's role in implementing the NTIA Digital-to-Analog Converter Box Coupon Program.

As you know, NTIA awarded IBM the contract to provide services for the Digital-to-Analog Converter Box Coupon Program on August, 15, 2007.

IBM and its business partners, Ketchum Public Affairs, Epiq Systems and Corporate Lodging Consultants will provide services in four areas:

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

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 digital-to-analog converter boxes. Households using analog televisions will not be able to receive digital broadcasts after February 17, 2009, unless the analog television is connected to a converter box that switches the digital signal to an analog format, or the analog television is connected to cable or satellite service.

Between January 1, 2008 and March 31, 2009, all U.S. households may request up to two coupons, worth \$40 each to be used toward the purchase of up to two digital-to-analog converter boxes until the initial \$990 million allocated for the program has been exhausted. After this initial phase of the program, NTIA may request an additional \$510 million already authorized by Congress. During this “contingent period”, coupons will be available exclusively to households that rely on over-the-air broadcasting as their sole source of television programming.

Program Goals

With these parameters, IBM designed the NTIA Digital-to-Analog Converter Box Coupon Program to be consumer-focused, easy to use, and provide maximum choice and access for both consumers and retailers. Ensuring high retailer participation and satisfaction are driving factors in the design of the retailer component of the program. Our goal is to successfully communicate the details of the converter box program to targeted consumers, distribute coupons, and complete the redemption process with minimal waste, fraud and abuse.

Team Organization



As the systems integrator for the coupon program, IBM leads a team of experienced partners. IBM is providing the system integration and architecture to coordinate all the

technical components of the program, and integrate data from the team. This information will be available to NTIA via a web based “Dashboard” created by IBM. This data management tool will provide a wide array of information such as number of coupons requested, coupons redeemed, retailer participation and tracking of available funds. It will allow NTIA to evaluate the progress of the program in real time and make adjustments as needed.

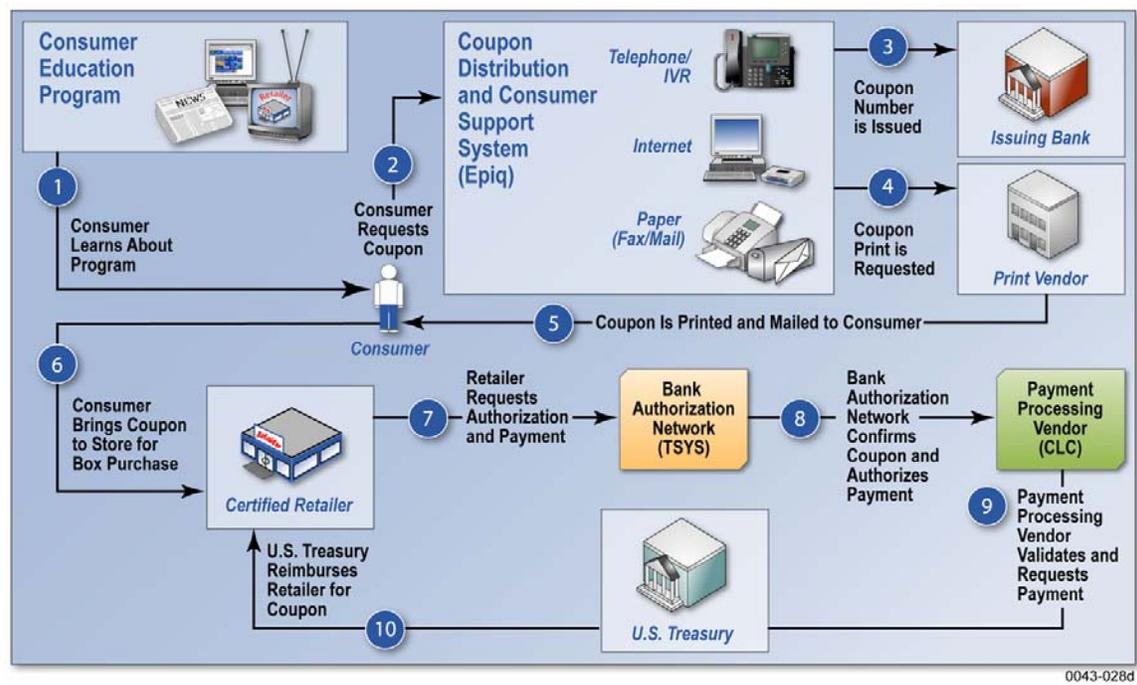
The members of the IBM Team bring together the diverse set of business process skills required for successful implementation of the coupon program. Ketchum, Inc. <http://www.ketchum.com/> a global public relations firm IBM has worked with for more than 10 years, is leading the critical consumer education and outreach component of the coupon program. Ketchum’s deep experience in communications includes a wide range of target audiences, including working with communities of color as well as low-literate, disabled, and elderly populations.

Epiq Systems <http://www.epiqsystems.com/home.php> (formerly Poorman-Douglas Corp.), a company with deep experience in executing consumer programs with geographically dispersed, hard-to-reach populations, will staff the critical consumer-facing help desk and manage coupon distribution to consumers.

Corporate Lodging Consultants, Inc. (CLC) <http://www.corplodging.com/> will perform retail interactions (including retailer certification) and financial processing to reimburse retailers. In addition, CLC will take a lead role in implementing effective measures to

prevent waste, fraud, and abuse. CLC provides proven fulfillment, electronic auditing, billing and reporting solutions and has been very successful in translating its commercial expertise to the federal government environment.

NTIA Coupon Program End-to-end Solution



Consumer Education

Consumer education is the launching point for the Coupon Program. It is challenging, but we realize that we must do it effectively and smartly. The target populations for the Coupon Program are those households which receive TV broadcast signals solely from over-the-air transmission. They are the most vulnerable to losing TV transmission after February 17, 2009, and they also tend to be the most difficult households to reach. Over-the-air households in general tend to be less affluent, with lower English literacy, and

more racial diversity than those that already have digital TV, satellite or cable.¹ Working with NTIA, we have identified five target populations for consumer education on the Coupon Program: 1) seniors and older Americans; 2) the economically disadvantaged; 3) rural residents; 4) people with disabilities; and 5) minorities.

The consumer education campaign requires that we move our target audience from awareness of the coupon program to understanding its attributes and then finally into action. Orchestrating this progression requires coordination of multiple sets of evolving messages delivered by a wide variety of messengers through a series of channels.

General broadcast media are the first and most indispensable channel in reaching our target audience. We will work with individual reporters, station managers, community relations managers, influential opinion leaders, interested stakeholder groups, advertisers, and network executives to saturate our target audience through the general broadcast media.

The consumer education aspect of the Coupon Program is designed to work in partnership with the many stakeholders in the DTV Transition. We will incorporate consumer education messages into the broader digital transition campaigns already underway through an array of media outlets and partners. By leveraging stakeholder partnerships and the many communication channels conveying DTV transition messages, we will increase our ability to reach each target audience with precision.

¹ GAO has reported that non-white households are more likely than white households to be over-the-air households; in addition, 48 percent of households with only analog TVs had incomes of less than \$30,000 compared with 29 percent of households with cable or satellite service.

The consumer education campaign will also issue a series of press releases and public service announcements in a coordinated way, rather than relying solely on paid advertising. This type of information release has been shown to have a greater level of credibility and acceptance with the community at large, and allows for a consistency of message.

In addition to working with print, broadcast and online media, we will continue to build and leverage a network of committed partners who already have access to many of the population segments that we are targeting. The influential organizations that serve as “trusted advisors” to these populations will provide an effective source of Coupon Program awareness and information, supplementing and reinforcing the messages in the broad-based media campaigns.

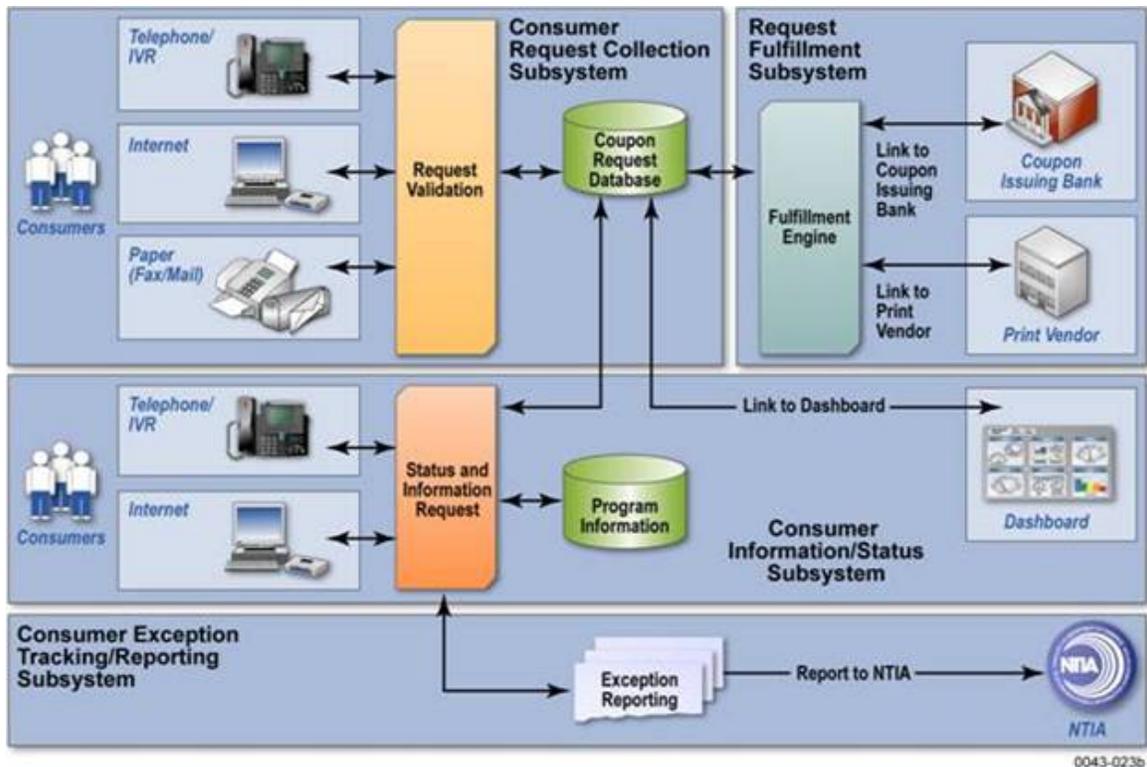
Our communications goal is to drive our target audiences to our toll-free number and web site where they can begin their participation in the Coupon Program by requesting vouchers. To measure the progress, results from the press release and public service announcement campaign (measured in media impressions) will be tracked and correlated to increases in local, regional, and national requests for vouchers (through the web site and toll-free number), and will show the effectiveness of the consumer education program. We intend to evaluate this on a frequent basis so that tactics and messages can be adjusted to suit the campaign. For example, if our analysis demonstrates we have saturated the media with the awareness message sooner than expected, we can quickly shift to the messaging revolving around understanding of the program. Our activities will

include regular media monitoring, tracking partner activities, and monitoring website usage incorporating this information in the Coupon Program Dashboard.

We also intend to make electronic, downloadable materials available to partner organizations who choose to print additional copies of cleared materials. We will design hard-copy and electronic tool kits for the mass media and our grassroots partners, including sample press releases and newsletter articles; brochures; facts sheets with simple graphics; and presentations on the Coupon Program.

The consumer education component of the Coupon Program is designed to work in close partnership with the many stakeholders in the DTV Transition to create an effective and seamless information campaign.

Consumer Support



The Coupon application and distribution process is simple, consumer-focused, and provides multiple channels for access. Consumers can apply for coupons via the phone, web, or by picking up a paper application available in their community and mailing or faxing it into the Consumer Support Center.

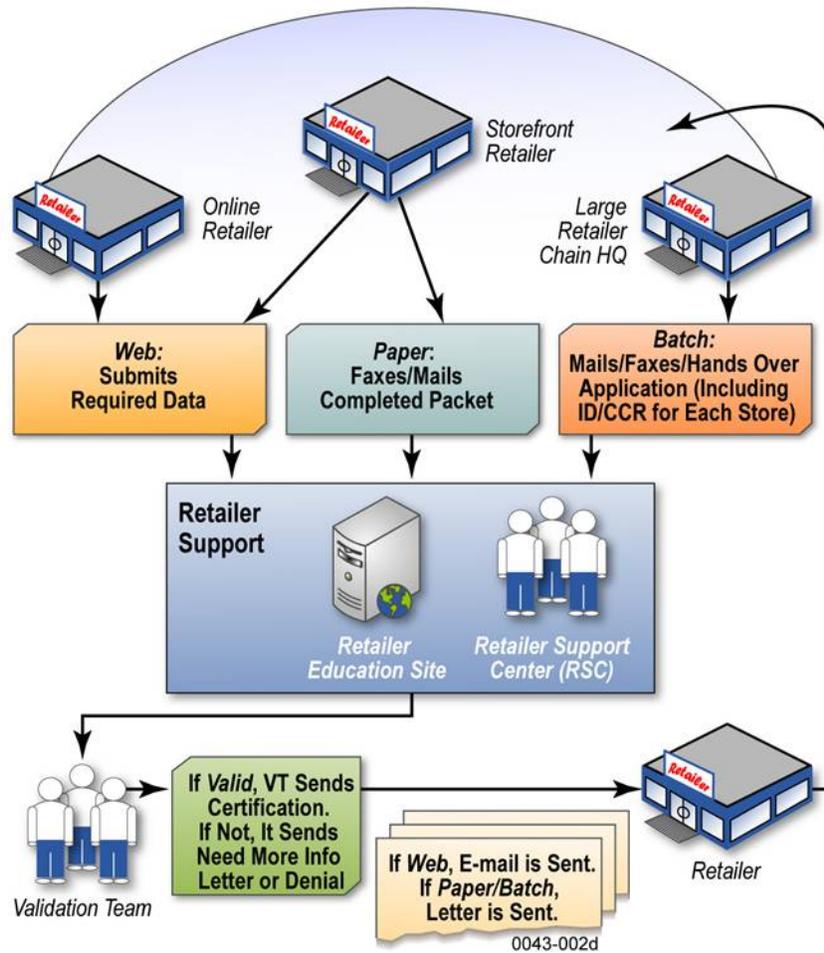
Web and phone support will be available 24x7 in 6 languages (Russian, Tagalog, simple Chinese, Korean, Spanish, and Vietnamese) in addition to English and for those in need of hearing impaired access.

The coupon application form itself is brief and only requires a minimal amount of information to participate: name, address, number of coupons requested (1 or 2), verification of how a consumer receives TV service, and signature.

Once an application is received and validated at the Consumer Support Center, the coupon(s) will be mailed to the consumer's address. At the outset, we will set realistic expectations on the turnaround time for receipt of the coupon card for eligible applicants. The coupon is plastic and resembles a gift-card - something familiar to consumers and easy to use. The 90-day expiration date is printed directly on the face of the card so consumers will be aware of the time frame in which they need to use the coupon. Included in the coupon mailing to consumers will be information about where they can purchase a coupon-eligible converter box in their local area, and what they need to do to use the coupon.

Transparency of the process is also important to the success of the program so we will ensure consistent messaging throughout the consumer experience. That means a person calling into the phone center will hear the same information that is available on the website. We understand that consumer satisfaction in this program is highly dependent on consistent messaging and consumer service levels.

Consumer Retailer Certification and Training



Already operational, the retailer certification solution maximizes participation of eligible retailers and minimizes participation of ineligible retailers.

The goal is to provide the best consumer experience via convenient access to a certified retailer.

As with most industries, the 80/20 rule also applies to consumer electronics retailers – 80% of sales are driven by 20% of the retailers. Recognizing this fact, we are taking a two-pronged approach to recruit both large national retailers and smaller, local retailers to participate in the program.

Outreach to large retailers is taking place in the form of personalized calls and visits by acquisition specialists. Discussions are well underway with a number of the largest consumer electronics retailers. Initial feedback is positive and we anticipate a high level of participation.

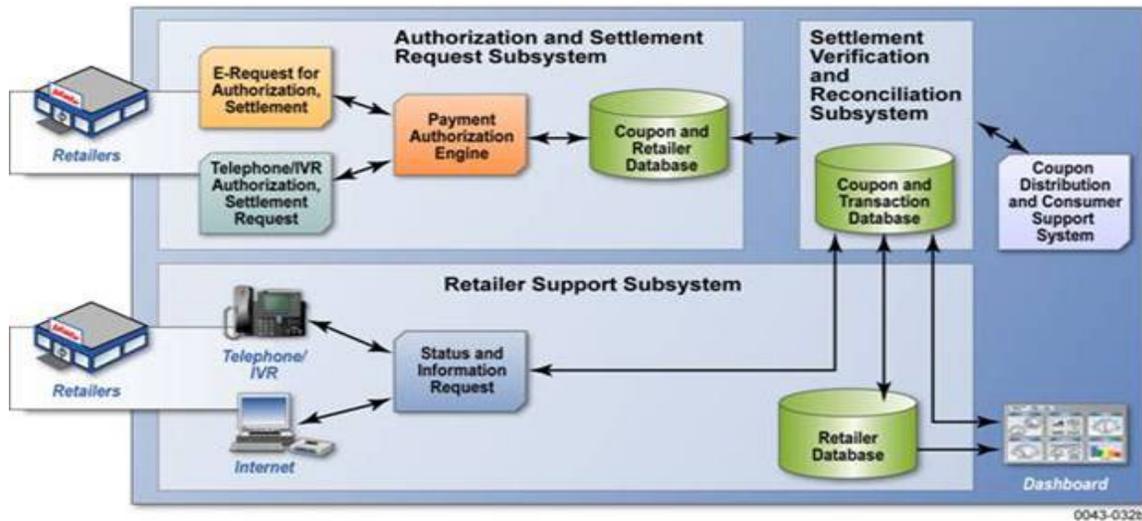
For smaller retailers, outreach about participating in the coupon program is based on a direct mail campaign which will begin later this month. The Retailer Support Center launched on October 1 with live operators. The Center is a resource for all retailers, but we anticipate it will be particularly helpful to smaller retailers.

The system provides multiple channels for both large and small retailers to certify their eligibility and enroll – web, phone, and paper (either mail or fax) are all options.

The solution includes a robust retailer verification process to confirm eligibility. An automated link to the central contractor registry (CCR) enables confirmation of data in real-time. This is backed up by a manual intervention process where required to deal with anomalies and exceptions.

Finally, the retailer is provided with training to insure proper execution of the program at the store/cash register level in order to achieve the best possible consumer experience.

Coupon Redemption, Payment and Retailer Support



The coupon redemption process is also designed to maximize retailer participation and minimize waste, fraud and abuse.

Six different redemption options are provided to retailers; all are based on real-time coupon authorization at the point of sale to confirm that a certified retailer is engaged in the transaction, and that the coupon is valid.

The technology and process for retailer and coupon validation is based on existing technology familiar to retailers and already resident at their cash registers.

The program incorporates use of the credit card industry's leading commercial payment authorization engine (TSYS) to evaluate and approve or decline individual coupon redemptions at the point-of-sale (POS). This POS authorization process provides the ability to identify and prevent fraudulent, expired or otherwise invalid cards from being redeemed.

For smaller retailers, Internet and automated telephone options are also available and will operate in real-time, making a telephone the minimum technology required to participate in the program.

In a typical chain store experience, the consumer will present the coupon card which is then swiped at the cash register just like a credit or gift card transaction. The system returns an authorization (or rejection if the coupon is not valid), the consumer pays any cost above the \$40.00 value of the coupon, and leaves the store with the converter box. The coupon is instantly de-activated at the time of sale to insure that it cannot be used again.

Authorization data is then matched up with sales data and audited before the information is transferred to the U.S. Treasury for retailer reimbursement.

Additional analysis is performed to check for anomalies in redemption patterns. For example, if a large number of coupons distributed in North Carolina are being redeemed in Los Angeles, a further investigation and audit will be triggered.

Conclusion

The NTIA Coupon Program requires innovative thinking, leading technologies, and cooperation among retailers, broadcasters, government agencies, and a multitude of community based organizations. The IBM Team is pleased to be part of this vital program and recognizes the many challenges along the way to February 17, 2009. Our team is 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, and I am happy to answer any questions.