UNITED STATES DEPARTMENT OF COMMERCE
National Telecommunications and Information Administration
Washington, D.C. 20230

NOV 7 2008

The Honorable John D. Dingell
Chairman
Committee on Energy and Commerce
House of Representatives
Washington, DC 20515

Dear Chairman Dingell:

Please find enclosed answers to questions for the record posed by you and Chairman Markey after the Subcommittee on Telecommunications and the Internet hearing on the digital television transition held on September 16, 2008. I appreciated the opportunity to testify before the Subcommittee on this important matter.

If you have any further questions in the future on issues related to the TV Converter Box Coupon Program, please do not hesitate to contact me or Jim Wasilewski, NTIA's Director of Congressional Affairs, at (202) 482-1551.

Sincerely,

MABaker

Meredith Attwell Baker
Acting Assistant Secretary for
Communications and Information

Enclosure

cc: The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

Responses to Post-hearing Questions Posed by Chairmen Dingell and Markey to Meredith Attwell Baker
Acting Assistant Secretary for Communications and Information
National Telecommunications and Information Administration (NTIA)
U.S. Department of Commerce

1. **In your testimony, you noted that television (TV) converter box coupons are portable and can be used by anyone, regardless of the name that appears on the coupon. Therefore, you suggested that consumers who have seen their coupons expire after 90 days who still wish to purchase a converter box could ask their friends or neighbors to apply for coupons on their behalf.**

   Do you support non-profit organizations—such as public broadcasting stations or community groups—asking members of their organizations or other concerned individuals to apply and obtain coupons and then donate their coupons or converter boxes purchased with those coupons so that these resources may be distributed to consumers:

   a. **Who are needy or hard-to-reach?**
   b. **Whose coupons have been lost in the mail?**
   c. **Who live in multiple-dwelling units without individual addresses?**
   d. **Whose coupons expired after 90 days?**

Answer: While the TV Converter Box Coupon Program (Coupon Program) regulations prohibit the sale of coupons, coupons issued by the Coupon Program are transferrable to the extent they may be freely given without consideration. As you know, the applicant's name is not printed on the coupon card; therefore, it would not be checked against a consumer's identification card at the point of sale. This allows for some flexibility in the Coupon Program to assist homebound or frail seniors, among others, with converter box purchases.

NTIA believes that the type of donation programs that you describe would largely be outside the direct scope of the Coupon Program's regulations. Individual households responding to requests to participate in such programs would have to comply with the Coupon Program's eligibility requirements and could not accept consideration in exchange for the coupons. Donation programs would also have to comply with all applicable federal and state laws. There may also be an increased risk of unintended waste, fraud, and abuse with such a program. For example, people could be encouraged to apply for coupons that they do not need, or they may not follow through on donating them to the clearinghouse – both such outcomes would represent waste in the Program. In addition, donation program managers would need to ensure that active coupons are handled securely, monitor expiration dates and encourage prompt use of coupons. Importantly, non-profit groups managing the donation efforts should take measures to minimize the potential for consumers to violate the "two per household" statutory limit on coupon orders.

2. **You stated in your testimony that you expected the TV Converter Box Coupon Program to have approximately $340 million in unspent funds at the end of the program. If that is the case, do you support repealing or waiving the rule NTIA adopted—which was not part of the statute that Congress enacted—that limits the number of coupons available to households with cable or satellite service?**

Answer: Under the Coupon Program's current operations, NTIA believes it can honor requests from both over-the-air-reliant (OTA) households and non-OTA households concurrently up to a cumulative demand of approximately 50.5 million coupons. NTIA is especially concerned that OTA households have every opportunity to participate in the Coupon Program if they choose to keep their analog TV working using a converter box after February 17, 2009. For that reason, NTIA limited eligibility for the second tranche of funds, or $450 million, to self-certified OTA households. Because returned funds from the initial tranche of funds ($890 million) are currently being used to issue coupons to non-OTA households—and that funding amount is comparable to the remaining funds supporting OTA household requests—the Agency does not anticipate that funds designated for households with cable or satellite service will diminish at a significantly faster rate than funds reserved for OTA households.

However, if it does appear that funds reserved for OTA households diminish at a slower rate than funds used for non-OTA households to the extent these were the only funds remaining—and demand from non-OTA households remained robust—NTIA would consider amending its regulations, depending on the specific circumstances and other possible options for addressing this scenario. Any changes to Program regulations would take a considerable period of time, such that the Agency would need to weigh whether a rule change could become effective within the duration of time remaining for consumers to request coupons.

3. **Do you expect to have $340 million in unspent funds because the amount remaining reflects the expected demand? If you expect that amount of left-over money because you are predicting demand will be low, please respond to the specific points raised to us in an October 6, 2008, letter by Federal Communications Commission Chairman Kevin Martin, who stated that he was "concerned that the total funding required to satisfy consumer demand may prove to be insufficient."**

Answer: If the Agency were to continue to experience strong demand for coupons and distributed 50.5 million coupons—and the redemption rate remained at 50 percent—approximately $1 billion in coupon funds would be expended. Because the Coupon Program is bound by the $1.34 billion ceiling for coupon obligations—as well as the 90-day expiration date—the Agency would have funds available at the end of the Program regardless of demand. The lower the redemption rate generally the higher the amount of returned funds that would be available to the Agency.

In terms of Chairman Martin's letter, his analysis of the funds available to NTIA for issuing additional coupons overlooks an important factor. Chairman Martin suggests that, as of September 30, 2008, only 26% of total initial funds ($890M) are available for additional requests. This calculation fails to account for the fact that a large portion of the funds currently committed will be returned to NTIA in the form of expired and unredeemed coupons to be used to distribute additional coupons. Thus, a significantly larger amount of money will be available to the Agency to fill coupon requests than the Chairman describes in his letter.

4. **Do you expect consumers in households that subscribe to cable or satellite service to be turned away when they apply for coupons because there are not sufficient funds to accommodate their requests? If so, on what date do you think this will occur, and how many consumers do you estimate will be denied coupons?**

Answer: Under the Coupon Program's current operations, NTIA believes it can honor requests from both OTA and non-OTA households concurrently up to a maximum of approximately 50.5 million coupons. If at any point the Coupon Program reaches the $1.34 billion obligation ceiling for active and redeemed coupons, coupon requests will be queued until funds from expired and unredeemed coupons become available. Rather than turning away requests from eligible households, it is NTIA's intention to honor requests by queuing them. As funds are returned, these pending requests will be approved.

5. **Do you anticipate that any households that subscribe to cable or satellite service might need to be placed on a waiting list until coupons that have been sent to other cable and satellite homes have expired? If so, on what date do you think NTIA will need to create a waiting list, and how many households do you estimate will end up on the waiting list?**

Answer: As discussed in response to question 4, it is NTIA's intention to put applicants in a queue rather than denying them, provided there are sufficient funds.

6. **If money for converter box coupons for households that subscribe to cable or satellite service runs out, does this mean that NTIA will no longer expect that the TV Converter Box Coupon Program will have unspent funds at the end of the program?**

Answer: NTIA expects that about $340 million will remain unspent if 50.5 million coupons are distributed and 50 percent of those coupons are redeemed. Significant funds will remain unspent regardless of the relative number of OTA versus non-OTA requests that are received.

7. **If money for converter box coupons for households that subscribe to cable or satellite service appears to be running out, will NTIA act to waive or rescind the rule if adopted—which was not part of the statute that Congress enacted—that limits the number of coupons available to households with cable or satellite service?**

Answer: It is unlikely given recent trends that non-OTA funds will diminish before funds reserved for OTA households; however, if they did, NTIA would consider amending its regulations, depending on the specific circumstances and other possible options for addressing this scenario. Any changes to program regulations would take a considerable period of time such that the Agency would need to weigh whether a rule change could become effective within the duration of time remaining for consumers to request coupons.

8. **If money for converter box coupons for households that subscribe to cable or satellite service runs out, will you encourage such households to ask family members or neighbors in over-the-air-only households to apply for converter box coupons on their behalf? Please explain how your answer is consistent or inconsistent with your testimony before the Subcommittee that consumers who have seen their coupons expire after 90 days who still wish to purchase a converter box could ask their friends or neighbors to apply for coupons on their behalf.**

Answer: NTIA's consumer education, with regard to helping a friend, family member or neighbor prepare for the digital transition, addresses a variety of ways a consumer can help another person with the transition, whether it be coupon application assistance or converter box installation. NTIA is especially concerned that over-the-air reliant households have every opportunity to participate in the Coupon Program if they choose to keep their analog TV working using a converter box after February 17, 2009.

As I noted in my exchange with Congressman Green at the September 16, 2008, hearing, "we are encouraging families and friends, neighbors, civic groups to help people make the transition since the coupons are transferable for someone whose coupon is expired to get the coupon from someone else."

9. **If a household that subscribes to cable or satellite service is applying for a converter box coupon for a neighbor who relies on over-the-air reception whose coupon has expired or was lost in the mail, will that application be treated differently from an application from a resident of a household that subscribes to cable or satellite service who is applying for the coupon for herself? If not, if the money for converter box coupons for households that subscribe to cable or satellite service runs out, how will residents of cable or satellite homes be able to apply for coupons for friends or neighbors in over-the-air homes whose coupons have expired or were lost in the mail?**

Answer: Coupon requests are approved based on the residential address provided on the application. If a household has already been approved for two coupons, then any subsequent request using that household address is denied. If an individual is applying on someone else's behalf, then that person may either use the name and address of the person for whom they are applying (e.g., a person who applies for his infirm mother who occupies a separate household) or they may use their own address and donate one or both of their coupons if they decide they no longer require them to make the transition (e.g., a person who orders a coupon to convert their analog TV and instead decides to connect it to cable television).

10. Based upon the experience with the DTV transition test in Wilmington, North Carolina, and data coming in from calls from consumers in that market, how many coupons do you estimate were lost in the mail during that switchover?

Answer: Our records show that a total of 129 coupons have been reported lost or stolen by residents of the Wilmington, North Carolina, Designated Market Area (DMA). This is out of a total of 77,319 coupons distributed to that market (.17%).

11. How many coupons does NTIA estimate, by percentage, are being lost in the mail nationally?

Answer: From the inception of the Coupon Program through October 25, 2008, approximately one-tenth of one percent (0.11%) of the coupons distributed have been reported lost or stolen, either in the mail or otherwise.* Since the United States Postal Service does not release statistics on lost mail, it is difficult to compare these figures to lost mail rates generally. It is also possible that some percentage of consumers who inadvertently dispose of their coupons notify NTIA that their coupons were never received.

We appreciate the efforts of Chairman Dingell and Markey to work with the United States Postal Service (USPS) to examine how the USPS can ensure the timely delivery of coupons and collateral materials that are sent in the mail to households requesting them.

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* It is important to note that after coupons expire, if they are reported as lost or stolen, they are categorized as expired, not as lost or stolen.