



NTIA TV CONVERTER BOX COUPON PROGRAM

Final Phase Plan for Distributing TV Converter Box Coupons

November 6, 2008



EXECUTIVE SUMMARY

Since becoming operational in January 2008, the TV Converter Box Coupon Program (Coupon Program), administered by the National Telecommunications and Information Administration (NTIA), has successfully processed requests, as of October 15, 2008, for more than 30 million coupons from over 16.5 million households, and subsidized consumer purchases of more than 12 million digital-to-analog converter boxes. As of October 15, 2008, the Coupon Program is successfully processing coupon requests at an average rate of more than 3.2 million coupons per month. NTIA and its contractor, IBM, estimate the Program can process up to approximately 6 million requests per month, if necessary, to meet increased consumer demand prior to February 17, 2009.

This Plan sets forth a course of action NTIA will follow over the next five months to address consumer demand for coupons from the Coupon Program, consistent with NTIA's goals of:

- Making possible that consumers have ample time to order coupons, purchase converter boxes, and address any potential technical adjustments that may be necessary;
- Reaching targeted audiences – *i.e.*, seniors, minorities (including those living along the U.S.-Mexico border), the disabled, low-income and rural groups; and
- Ensuring the most efficient and effective use of Federal funds.

Accordingly, NTIA's core strategy for this Plan is to foster, to the best of NTIA's ability, a demand scenario under which consumer demand for coupons is accelerated in the months immediately preceding February 17, 2009. To accomplish this, NTIA is engaging in effective consumer education, in collaboration with its 270 private and public partners and other stakeholders, with the goal of driving consumer demand to a total of 46.2 million coupons requested by January 31, 2009.

This Plan demonstrates that the Coupon Program has both sufficient funds and system processing capabilities to achieve this goal, to distribute a total of more than 50 million coupons through March 31, 2009, and to do so without the creation a large backlog. Also, NTIA has built flexibility into the Program to respond to various or unexpected events. Moreover, based on actual, cumulative redemption data, NTIA would not exhaust the authorized \$1.34 billion in coupon funding despite increased demand leading up to the analog shut-down on February 17th, and, in fact, may return as much as \$340 million to the U.S. Treasury.

Using multiple planning tools based on program and private sector data, NTIA developed assumptions about IBM's processing system capacity; consumer demand for coupons, and the availability of funds, which were used to develop a plan that would seek to accelerate consumer demand. NTIA also notes that several implications flow from the fact that funds from coupons that expire unredeemed are the only source for issuing coupons beyond the first 33.5 million base and contingent coupons. These include that: (1) it will be difficult to exhaust the authorized \$1.34 billion in coupon funding regardless of demand (because funds associated with coupons that are issued after January 10, 2009, cannot be recycled and therefore any funds from unredeemed and expired coupons issued after that date will be returned to the Treasury); (2) depending on the rate of requests, there may be temporary periods when coupon *obligations* reach \$1.34 billion, requiring NTIA to hold requests temporarily until funds become available from coupons that expire unredeemed; (3) the later that coupons are requested, the fewer the total number of coupons that can be issued; and (4) an increase in the redemption rate from this point forward would cause a small reduction in the total number of coupons that could be issued with funds from coupons that expired unredeemed.

Accordingly, NTIA has developed several planning models depicting varying coupon demand scenarios. The first model – called the “*Target Scenario*” – reflects NTIA's strategy, as outlined in this Plan, to accelerate consumer demand. Under this scenario, consumer demand for coupons would increase in November, December and January by 30 percent to reach 4.3 million coupons per month, over 3.3 million coupons, which is the average monthly coupon demand to date and the baseline for NTIA's projections. This assumes that the distribution of 50.5 million coupons is sufficient to meet demand and will not exceed the Program's operational and statutory constraints. The plan also incorporates peaks in demand around key events associated with transition, including the week of a “100 days out” event, the end of December as part of the program's consumer messaging, and the week of the nation's transition to digital television on February 18, 2009. These spikes, as well as the significant drop in requests after the transition date, are consistent with patterns experienced when Wilmington, North Carolina, transitioned to digital television in September.

To increase consumer demand in each of the months of November, December, and January, the Program is utilizing effective consumer education to reach NTIA's targeted audiences with a messaging that urges them to request coupons with enough time to purchase a converter and resolve antenna-related and other technical challenges that may arise. Working toward this optimal demand curve also would help to ensure the most efficient use of Federal funds, and should not subject consumers to delays in processing due to system capacity or availability of funds.

Two alternate, less optimal, but possible, scenarios are presented. In *Alternate Scenario 1*, a substantial number of consumers wait until the final days leading up to February 17, 2009, before requesting coupons, at which time weekly demand for coupons peaks at a rate twice the weekly average. While under such a scenario the distribution of 50.5 million coupons would be sufficient to meet consumer demand, it is undesirable because the sudden and significant demand may exceed the capacity of the Program's coupon fulfillment system, thus potentially delaying coupon issuance in February 2009. More important, many television viewers that have lost broadcast service and who choose to purchase converter boxes with government coupons would need to apply for coupons, wait to receive them in the mail, purchase

their converter boxes, and connect them to their TV sets. This entire process could take several weeks to complete. In the meantime, over-the-air-reliant households would be without any television service. In *Alternate Scenario 2*, the Program would experience an immediate, extremely heavy and sustained increase in coupon requests, more than twice the monthly average, as the program experienced with Wilmington. Under such a scenario, demand for coupons could surpass the Program's ability to distribute coupons beginning in the first quarter of 2009, both in terms of timely distribution and the Program's administrative funding capability. If coupon request data demonstrates that this scenario is likely to happen, NTIA will notify the Congress and address the matter as quickly as possible.

NTIA's consumer education strategy—developing clear, customizable materials; collaborating with, and delivering information through, trusted partners; and reaching communities through the media outlets they watch, read, and listen to—has proven effective, as evidenced by the Coupon Program's continuing to be very popular among consumers. In the fourth quarter of 2008, the Program will continue this strategy, but with messaging customized for the Program's final phase of coupon distribution. Specifically, to effectuate the strategies in this Plan, the Program is working with its partners to urge consumers who wish to keep their analog TV sets working after February 17, 2009, using a converter box to apply for coupons before the end of the year.

As NTIA learned from the Wilmington Test Market, alerting consumers to the need to prepare early yielded steady high coupon demand. These efforts will include:

- In **October, November and December 2008**, NTIA is urging consumers who want to use a coupon to buy a converter box to “Apply, Buy and Try.” This campaign articulates a three-step process – **APPLY** for coupons today, **BUY** a converter box without delay, and **TRY** the box on an analog TV and seek technical support if problems arise – which consumers should allow themselves at least six weeks to complete. NTIA is particularly targeting 45 priority markets for high intensity outreach because of their large number and/or percentage of OTA households, and/or their rank among the ten largest concentrations of the Program's target demographic groups.
- In **January and February 2009**, consumers who wish to maintain their television service on their analog TV set will need to know their options and the trade-offs associated with each. For example, an OTA-reliant consumer who applies for a coupon on February 1, 2009, may not receive coupons in time to make a purchase and install the converter box before February 18. Therefore, consumers need to know the options they have if they do not want their TV service disrupted.
- **Between January and March 31, 2009**, NTIA will also use funds set aside from the “DTV Transition Assistance Act” (Assistance Act), Public Law No. 110-295, to provide additional consumer education and assistance.

NTIA also will continue to work with other Executive Branch agencies to enhance its awareness-building activities focused on vulnerable populations and its priority markets.



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I. INTRODUCTION

In this Plan, the National Telecommunications and Information Administration (NTIA) sets forth a course of action it will follow over the next five months to address consumer demand for coupons from the TV Converter Box Coupon Program (Program or Coupon Program.) The Plan is organized in the following sections:

- background on the Program,
- goal and objectives of the Plan,
- planning tools and assumptions used to develop the Plan,
- analyses of a primary optimal scenario and two alternate scenarios, and
- the core consumer education messaging and strategy to execute the Plan.

Each of these sections is included to explain how the Program will continue to adhere to the statutory directive through the Program's completion.

II. BACKGROUND

The National Telecommunications and Information Administration (NTIA), an agency in the Department of Commerce, administers the TV Converter Box Coupon Program (Program or Coupon Program) pursuant to the Digital Television Transition and Public Safety Act, Section 3005 of the Deficit Reduction Act of 2005 (Act). Recognizing that some consumers may wish to continue receiving broadcast programming after the analog shut-down on February 17, 2009 using their existing analog-only televisions not connected to cable, satellite, or other pay television service, the Act authorized \$1.5 billion for NTIA to establish and manage the Coupon Program. Of this amount, the Act capped administrative costs at \$160 million;¹ the remaining \$1.34 billion covers the value of up to 33.5 million coupons. The Program has been highly successful to date, distributing more than 30 million coupons to the public to date. More than 10 million coupons have been redeemed for the approximately 80 NTIA-certified converter boxes now available on the market.²

¹ As discussed below, in September 2008, Congress provided NTIA with flexibility to spend an additional \$20 million to cover administrative costs associated with the Program. NTIA notes that this authority continues until March 6, 2009.

² As of October 15, 2008, NTIA has certified 180 converter boxes. Of these, 106 are not available in retail outlets, according to manufacturers and retailers.

As noted below, NTIA has operated the Program since the outset based on its plan to condition demand as much as possible to minimize wide variances or spikes in demand. Pursuant to the Act, eligible U.S. households may obtain a maximum of two coupons of \$40 each to be applied toward the purchase of converter boxes. The Act requires United States Postal Service delivery of the coupons, and that the coupons expire three months from the date of issuance. Consumers may redeem each coupon towards the purchase of a “converter” as defined in the Act.

NTIA completed a rulemaking and issued its Final Rule in March 2007. The Final Rule included technical specifications for coupon-eligible converter boxes (CECBs), provided definitions and limitations on household eligibility, retailer participation, and other Program procedures for consumers, manufacturers, and retailers.

NTIA awarded a fixed-price performance based contract through a competitive process on August 15, 2007 to International Business Machines (IBM). Under that contract, IBM provides certain services including: consumer education; coupon request and distribution; retailer certification and management; and coupon redemption and payment systems. A list of the major milestones, both past and future, associated with this Program, is included in Table 1 below.

Table 1 – Coupon Program Milestones

February 8, 2006	Enactment of Pub.L. 109-171
August-Sept 2006	Request for Information and Market Research
July 24, 2006	Notice of Proposed Rulemaking (NPRM) Published
September 25, 2006	NPRM Comment Period Closed
November 16, 2006	Acquisition Review Board (Approval or Presentation)
March 9, 2007	Final Rule Issued
March 13, 2007	Request for Proposals Issued for administrative contract
May 7, 2007	Competitive Proposals for administrative contract Due
August 15, 2007	Competitive Contract Awarded to IBM for administrative services
September 14, 2007	First Coupon-Eligible Converter Box Certified
January 1, 2008	Consumer Request Center Opened
January, 2008	Consumer Education – Phase I “Awareness”
February 17, 2008	Coupon Processing and Distribution Began (converter boxes available in retail stores)
February 23, 2008	Retailers Began Redeeming Coupons
March 31, 2008	Consumer Ed – Phase II “Experience the Benefits”
July 31, 2008	22.25 million Coupons Requested
September 8, 2008	Wilmington, NC Early Analog Shut Off
September 30, 2008	Consumer Ed – Phase III “Apply, Buy, and Try”
October 20, 2008	Effective Date of Waiver for Nursing Home Residents and PO Box Users
February 17, 2009	Full Power Analog Broadcasts End
March 31, 2009	Coupon Requests End
April 10, 2009	Coupon Distribution Ends
July 9, 2009	Coupon Redemption Ends
September 30, 2009	Contract and Program Closes Out

The Program is focused on consumers most likely to suffer adverse affects from the analog shut down—in particular, those households that rely exclusively on over-the-air (OTA) analog television (OTA households). Therefore, NTIA is targeting consumer education and outreach to OTA consumers, especially populations who, on average, are more likely to view TV over the air, such as minorities, rural residents, seniors, low-income groups and the disabled. Through the end of September 2008, 8,063,769 OTA households had requested 15,198,009 coupons.

NTIA has managed the Program on the premise that it will not be possible to predict demand for coupons with certainty because of the Program’s novel nature. The Program would operate most efficiently, however, if coupon demand could be conditioned to occur steadily along a theoretical Bass distribution trend curve.³ In October 2007, during its internal risk management analysis, the Program recognized that a portion of the target consumer population might delay action to obtain a converter box coupon until just before or after broadcasters cease analog broadcasts. Accordingly, it identified a risk that an excessive surge in coupon demand late in the Program may: (1) overwhelm IBM’s capacity to provide timely responses to consumer coupon requests; and (2) exceed the maximum coupon distribution transactions possible within the Program’s administrative funding constraints.

As part of its formal risk management process, the Program implemented a “control” strategy. A “control” strategy involves developing a plan to: (1) monitor the risk; (2) reduce the probability that the risk event will occur, or prevent it if possible; and (3) implement contingency actions if the risk event occurs. The internal risk mitigation plan, updated in September 2008 to reflect current Program status, purposely assigns actions at a high level to allow flexibility to respond to changing conditions. One of the key high-level actions to reduce the probability of an excessive demand surge late in the Program is to accelerate NTIA’s consistent strategy to drive coupon demand forward in time. This Plan builds on the risk mitigation plan to implement this strategy.

III. GOALS AND CONSUMER EDUCATION OBJECTIVES

This Plan outlines how the Program intends to address the challenge of meeting demand for coupons as the February 17, 2009 analog shutdown approaches and thereafter until the end of the Program.

Care has been taken to base projections on actual data gathered from the Program to date, although there is no guarantee that actual Program experience will track the projections developed for the Plan. Variables that could significantly affect actual Program experience include: the possibility that redemption rates could increase, thus reducing the availability of coupon funds for distribution; or the potential that Program messaging could so successfully

³ An understanding of how technology will diffuse into a market is crucial knowledge when assessing the business case for internal or external investments in new technologies. Diffusion of innovation models are important tools for effectively assessing the merits of investing in technologies that are new or novel or do not have predictable patterns of user adoption. The Bass model is one of the most widely used diffusion models for forecasting, especially product forecasting and technology forecasting. It describes how new products get adopted as an interaction between users and potential users.

drive demand forward in time that coupon distribution might exceed the 50.5 million projected before the end of March, 2009. The Plan also serves the Coupon Program's broader goal of reaching targeted (*i.e.*, disproportionately vulnerable) audiences with a message that moves them to request coupons with enough time to purchase a converter and resolve technical challenges that may arise, such as reception and antenna issues.

To accomplish this goal, NTIA will collaborate with partners and stakeholders to accelerate demand through effective consumer education, while maximizing efficient use of Federal funds to process higher volumes of coupon requests in the coming months. **The Plan outlines a course of action intended to encourage demand for coupons to increase steadily during the months prior to February 2009 – *i.e.*, November and December 2008, and January 2009 —in order to “flatten out” a spike that might occur several weeks before, and immediately following, the February 17, 2009 transition date.** However, the Program does not intend for this plan to address all possibilities but, rather, provides the framework for the Program's operational and communication efforts through the transition date. As discussed below, the Plan outlines the optimal distribution of coupons over the next several months as well as two alternate scenarios.

From the beginning of operations, the Program has urged consumers not to wait to request coupons. Coupons and converters will have been available to consumers for a year before the transition date. Almost all full-power television stations have been broadcasting digital programming for more than a year, and as of October 2008, 92 percent of consumers are now aware of the digital transition, according to the National Association of Broadcasters. Millions of viewers have redeemed millions of coupons and are therefore better prepared for the analog shut off. In March 2008, for example, the Program launched the “experience the benefits” campaign to urge consumers to order their coupons now and connect their converter boxes to their analog TV sets so they could begin to receive a better picture and more channels well before 2009.

NTIA will pursue the following two objectives as it conducts its consumer outreach. First, beginning in October – and continuing in November and December, 2008 and in January, 2009, -- NTIA will focus its consumer education messaging and activities with public and private sector partners on encouraging consumers to act immediately. Towards the end of January through the end of the Program, NTIA will work closely with partner groups to help the “late adopters” maintain or restore OTA service.

NTIA has also consistently explained to consumers that for each analog television set in their home that is not connected to cable, satellite, or other pay television service, their options include:

- connecting that set to cable, satellite or other pay television service,
- replacing that set with a digital television, or
- purchasing a digital-to-analog converter that will keep that set working after the analog shut off.

In its interactions with consumers, the Program's consumer education effort continues to make sure consumers know their options and can request, receive, and redeem a coupon efficiently if they plan to purchase a converter. The core strategy for the final phase of the Program is to increase the urgency and frequency of this message so as to motivate consumers desiring coupons to request them *before the end of the year* so they will have adequate time to purchase and connect converter boxes.

Second, recognizing that some consumers may delay action until the closing days of the transition, the Program is planning to assist them toward the end of January and through the end of the Program. Therefore, NTIA will work closely with partner groups to help the "late adopters" maintain or restore OTA service.

IV. PLANNING TOOLS AND ASSUMPTIONS

A. Planning Tools

NTIA has developed several planning tools based on actual coupon activity and nine months' experience with the coupon request and fulfillment system. In addition, NTIA has developed certain models to depict various demand scenarios based on actual request, redemption, and coupon processing data to date. Again, while actual Coupon Program experience is useful in projecting demand, there is no guarantee that consumers will behave according to the Plan's projections.

The Program's planning tools include:

- Dashboard Data – views showing Coupon Requests, Issued, and Funding as well as Coupon Redemptions, and Retailer Certifications and Status.
- Weekly Program Data - weekly status update showing coupon activity, funds committed and available, and average daily orders, among other things. Detailed redemption reports to assist retailers, manufacturers, and consumer education partners.
- Periodic Reports – monthly reports to the Senate Commerce Committee describing Program progress, metrics, and potential challenges. Quarterly reports to the House Energy and Commerce Committee regarding available funding.
- Program staff monitoring – including onsite visits to subcontractors, meetings with DTV Transition Coalition Steering Committee, FCC, and other governmental partners.
- Private sector data – surveys, projections, and other data (*e.g.*, Consumer Electronics Association, Nielsen, Consumers Union.)

B. Assumptions

Using the planning tools described, NTIA examined the following issues to develop working assumptions for a plan that would attempt to accelerate consumer demand:

- IBM's processing system capacity to fulfill an increased number of requests in the desired timeframe,
- Consumer demand for coupons to date; and
- Availability of coupon funds to process an increased number of requests in the desired timeframe.

1. System Capacity

From the outset, the Coupon Program has proved popular with consumers, who ordered 4.2 million coupons in January 2008 – the highest monthly figure to date. Figure 1 below shows the number of coupons requested each week since the Program began accepting coupon requests on January 1, 2008.

Figure 1 - Coupons Requested and Approved by Week



The largest single day of coupon requests was January 2, 2008, when more than 900,000 coupons were requested and approved. During that first week, more than 2.4 million coupons were requested and approved. Since then, the average number of coupons requested and approved per day has been around 105,000, and per week around 750,000. From a coupon request perspective, this data makes it clear that IBM's capacity to exceed its current coupon

request and approval processing capacity has already been demonstrated. It should be noted that during periods of high demand, a greater proportion of the total coupons requested are handled via the Web ordering channel than is seen on other “more typical” days. During the final push, NTIA expects this trend to continue. Internet and telephone requests together have accounted for more than 95 percent of the requests we have received to date. The remaining two channels - fax and mail - have accounted for less than 5 percent of the total requests, which is not expected to increase significantly.

From a coupon distribution perspective, because retailers had made it clear that they could not stock coupon-eligible converter boxes (CECBs) or make payment system changes until the 2007 holiday season had concluded, the Program purposefully did not begin distributing coupons until the week of February 17, 2008. By May 2008, the Program’s contractor, IBM, had met the challenge of processing and distributing the large number of early requests in addition to the additional incoming requests for March and April. IBM accomplished this by increasing the system’s coupon distribution capacity from an average of 150,000 coupons issued per day to a high of 500,000 per day. Since May, IBM has processed all requests within its contractual service level requirements, *i.e.*, issuing and mailing 98 percent of coupons within 10 business days and the remaining 2 percent within 15 business days. IBM is, therefore, meeting all current demand at an average rate of more than 3.2 million coupons per month. Through October 15, 2008, the Program had approved requests for more than 30 million coupons and had distributed 29.1 million coupons to 16.5 million households. In October, due to a notable increase in demand resulting from implementation of the Phase III Consumer Education “Apply, Buy, and Try” campaign, NTIA expects that IBM will process requests for approximately 3.8 million coupons for the month.

NTIA also expects that IBM could process approved requests and issue coupons for up to 1.5 million coupons per week (6 million coupons per month) if required, without a significant delay. (For every 300,000 coupons above 1.5 million, processing may be delayed by one day). As shown in the following Table, IBM has demonstrated an ability to process requests for more than 2 million coupons per week when necessary. NTIA believes that IBM can augment its current processing capacity to this level to accommodate an increased number of coupons during the final five months of the Program. As shown, the Program has processed requests for a total of 5.2 million coupons in April 2008 and 5.3 million coupons in May 2008, the two months with the highest total of coupons issued to date.

Table 2 – Peak Coupon Processing Weeks

Peak Production Week	Total Processed
April 5, 2008	844,845
April 12, 2008	1,245,979
April 19, 2008	1,036,500
April 26, 2008	1,519,822
May 3, 2008	817,475
May 10, 2008	2,354,977
May 17, 2008	1,688,896
May 24, 2008	566,492
May 31, 2008	449,772

Reviewing the data associated with January 2008, which had the highest coupon demand to date, it is clear that the request and fulfillment system would have been able to meet coupon demand on a current basis, *if the Program had been processing coupon requests* in January. However, the program did not begin processing coupon requests until mid-February, in order to enable sufficient retail supply of boxes as consumers received their coupons. This step was beneficial to consumers, who were thus able to utilize the full 90-day validity period of the coupons in order to make their purchase decisions. However, the period of January 1 through February 17, 2008, did result in a build-up of coupon requests that was extraordinary. NTIA, working with its contractor, was able to work through these requests in a timely fashion, and currently does not anticipate any similar administrative burden through the duration of the program.

Table 3 – Coupons Requested and Issued by Month

Month	Coupons Requested	Coupons Issued
Dec 2007	1,211	0
Jan 2008	4,175,078	195
Feb 2008	2,519,171	743,968
Mar 2008	2,574,006	3,205,841
Apr 2008	3,271,516	5,233,288
May 2008	3,201,856	5,328,033
Jun 2008	3,133,782	2,962,428
Jul 2008	3,461,961	3,449,857
Aug 2008	3,312,679	3,349,987
Sep 2008	3,515,114	3,211,405
Oct 2008 (through mid-Month)	1,738,701	1,699,990

Therefore, the Program believes the coupon request and distribution system capacity should be able to keep up with most reasonable consumer demand scenarios.

2. Consumer Demand

So many dynamic factors affect how many households will request coupons that any assumption about demand for coupons must be re-evaluated weekly. To guide planning, NTIA has examined its own early projections, studies, and actual request data. From these sources NTIA has estimated what demand might be. As discussed later, these estimates can change based on different scenarios.

Early in the Program, NTIA developed an economic analysis that calculated a baseline market of between 20.4 and 51.9 million converter boxes, based on estimates of the number of analog televisions in households that might require and choose to purchase converters. NTIA reviewed a number of surveys to develop a range based on the highest estimate of untethered analog-only TV sets from Consumer Union’s survey and the lowest estimate from the Consumer Electronics Association. As a result, the Program’s analysis relies on a range of estimates of the

potential market for converter boxes. The Program assumed that of this potential market, 50 percent of households choosing the converter box option would redeem coupons, resulting in redemption of between 10.2 million and 26.0 million coupons. As of October 15, 2008, 12.1 million coupons have been redeemed.

In a May 2008 report titled “The February 2009 Digital Television Transition: Overview of the Digital Readiness of U.S. Households and Analysis of Viewing to Unready Sets,” The Nielsen Company showed the number of households as of April 30 that remain either “completely unready” or “partially unready” for the digital transition – a very useful data point for projecting potential demand.⁴ A household is “completely unready” if it has no TV sets that are either capable of receiving digital broadcast television signals or connected to a pay television service. A household is “partially unready” if it has at least one analog-only TV set that is not capable of receiving digital television signals or connected to a pay television service. According to Nielsen, 9.4 percent of households are completely unready and 12.6 percent of households are partially unready. Therefore, of the approximately 113 million television households in the U.S. in 2008, an estimated 25 million households were unready in spring 2008. If all of these households applied for coupons, the resulting requests would yield a potential market of over 46 million coupons. Since it is also possible that a certain percentage of households that are “completely ready” for the transition (*i.e.*, every television in the household either is capable of receiving digital broadcast signals or is connected to a pay television service) might also order coupons—either as “insurance” or due to lack of complete information about the transition—it is conceivable that demand could be higher than 50 million. For example, if about five percent of completely ready households were to apply for coupons, this would add another 9 million coupons into the demand pool. Pursuant to the Act, NTIA is capable of meeting a demand of up to 33.5 million coupon redemptions. However, assuming a 50 percent redemption rate, and based on distribution of approximately 50.5 million coupons, NTIA estimates that 25 million coupons could be redeemed by the end of the Program.

Nielsen published an updated report in October 2008, demonstrating a continuing decrease in the number of completely and partially unready households.⁵ For example, between May 1 and September 1, 2008, completely unready households declined from 9.8 percent to 8.4 percent. What remains unclear is how many of the 8.4 percent or 9.6 million unprepared households as of September 1, 2008, had already taken action in the form of ordering coupons. In other words, a household could be unready, in terms of not having a digital tuner, but still have already ordered coupons with the intention of buying a converter box to make the transition. Some indication of this “overlapping situation” is provided by Consumer Reports National Research Center which in September conducted a survey showing that 39 percent of OTA households had already taken action to prepare for the digital transition, with over four in ten having requested government coupons. NTIA continues to monitor the Nielsen market research to inform any mid-course corrections that may be necessary to address Coupon Program participation at the Designated Market Area (DMA) level.

⁴ Report available at http://www.nielsen.com/solutions/DTV_Transition_Update_Paper_REV_061808.pdf.

⁵ See http://blog.nielsen.com/nielsenwire/wp-content/uploads/2008/10/dtv_update_2_final_edit2.pdf

Another recent consumer survey by the Consumer Electronics Association (CEA) estimates that retailers will redeem coupons for 25 million converters in 2008 and 2009.⁶ Assuming a 50 percent coupon redemption rate, the CEA survey further corroborates the reasonableness of the Program’s goal to distribute 50 million coupons by the end of March 2009.

Because the TV Converter Box Coupon Program is a unique and novel Program, without precedent, it is problematic to arrive at definitive demand estimates to inform decision making. Accordingly, NTIA is monitoring a range of surveys from industry and other credible organizations to inform its scenario-building. The scenarios outlined in the Plan account for a demand range that is greater than what independent surveys suggest it is likely to be, underscoring the fact that NTIA has considered a wide range of alternatives as the Program enters the final phase of coupon distribution.

3. Availability of Funding

Regardless of the level of demand, the number of coupons that can be distributed will be limited not only by the Program’s coupon distribution capacity, the availability of Coupon Program funding, and by NTIA’s rules associated with the distribution of the coupons within this Program. There are four key factors that limit the number of coupons that can be distributed, including (a) this Program’s funding amount, (b) the redemption rate of the coupons; (c) the timing of the coupon requests; and (d) the amount of administrative funds associated with the Program. Each of these is discussed below in more detail.

a. Program Funding Amount

The funds authorized for the Program support the redemption of 33.5 million coupons, as shown in the table below.

Table 4 – Coupon Funding

Initial or “base” funds	\$890 million	22.25 million coupons
Contingent funds	\$450 million	11.25 million coupons
TOTAL	\$1.34 billion	33.5 million coupons

Under the Act, \$890 million of the authorized funds are designated as the initial – or “base” – funds and \$450 million as “contingent” funds.⁷ NTIA established Program regulations that made all households eligible for the initial base fund coupons and restricted eligibility for contingent fund coupons to households that rely exclusively on OTA television service. Due to the popularity of the Coupon Program, as anticipated, NTIA distributed 33.5 million coupons by

⁶ Consumer Electronics Association, “U.S. Consumer Electronics Sales and Forecasts 2004–2009,” July 2008 at p. 26.

⁷ On April 25, 2008, NTIA sent the required certification letter to the Congressional committees such that the Contingency Funding Level became available on June 24, 2008.

November 2008. Because 50 percent of coupons are being redeemed, distribution of coupons will continue using funds recycled from expired coupons.

b. Coupon Redemption Rate

The ability to offer additional coupons beyond the initial 33.5 million depends on the dollar amount of funds associated with unused coupons. Using the cumulative coupon redemption rate of 50 percent through September 30, 2008 would yield \$670 million in total payments to retailers for just over 17 million of the 33.5 million coupons. The Program is utilizing the remaining funds – sourced primarily from coupons which expire unredeemed⁸ – to distribute additional coupons to new applicants. On May 25, 2008, NTIA began de-obligating funds from unredeemed and expired coupons issued in February 2008, 90 days following the issuance of the first coupons. This increased the total number of coupons that could be distributed, since some of the initial funding could therefore be “recycled.” Through July 31, 2008, the Program filled coupon requests from all eligible households solely from base funds, taking requests for 22.25 million coupons by July 31, 2008 and distributing 22.25 million coupons by August 13. Starting August 1, the Program began processing requests from “recycled” base funds, as well as from the contingent funds reserved for OTA-reliant homes only. At the 50 percent redemption rate, NTIA estimates that 350,000 coupons are expiring on average every week; the associated funding can be redistributed or “recycled” for additional coupons.

c. Timing of Coupon Requests

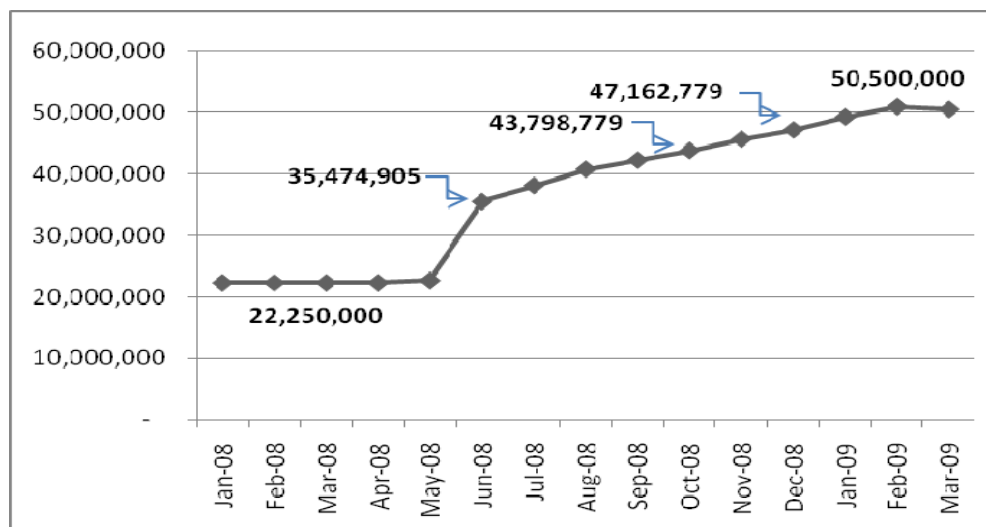
The Program also is limited by how quickly and when coupons are requested and issued. The earlier the requests are received and coupons issued, the earlier that the unredeemed portion will expire (90 days after issuance), making funds available for still more coupons to be issued. Further, the funding associated with any expired coupons issued after January 10, 2009 will be unavailable to the Program, since the last date that coupons can be issued is April 10, 2009. Because the redemption rate for the coupons issued is unlikely to reach 100 percent, it is highly probable that some the \$1.3 billion in Coupon Program funding will be returned unused following the conclusion of the Program in July 2009, *regardless of total demand for the coupons.*

Using past data, NTIA has projected the maximum number of coupons that it could distribute through March 2009. First, coupons have a 90-day life cycle, and NTIA has data on the number of coupons issued through September 30, as well as redemption data for coupons issued each week starting in February 2008. Second, since the consumer redemption rate for coupons that have completed the 90-day cycle is 55 percent for OTA and 45 percent for non-OTA households, and coupon demand is roughly equal between OTA and non-OTA households,

⁸ There are other situations where previously obligated money can be de-obligated and made available for the issuance of additional coupons. These situations include the following: (a) if a coupon is reported as lost or stolen before its expiration date; (b) payment was denied if the redemption does not meet Program rules; (c) where the value of the settlement with a retailer is less than \$40, the difference is de-obligated; and (d) a consumer returns a converter box to the retailer. However, the source providing the largest dollar amount of de-obligations is from coupons expiring unredeemed.

NTIA assumes a 50 percent redemption rate in developing the projections. With these assumptions and data points, NTIA projects that the Program would have funds available for a cumulative total of at least 50.5 million coupons, if the timing of the coupon demand followed close enough to coupon availability.

Figure 2 – Cumulative Number of Coupons Available



As depicted in Figure 2 above, the Program started on January 1, 2008 with authorized funding to distribute 22.25 million coupons redeemed. On June 24, 2008, funding was increased to enable distribution of an additional 11.25 million coupons redeemed. In addition, de-obligated funds for 1,974,905 coupons raised the funding level to make available, on a cumulative basis, up to 35.4 million coupons by the end of June 2008. Based on a 50 percent redemption rate, funds associated with unredeemed coupons will increase the funding to make available up to 43.7 million coupons by the end of October 2008, 47.1 million coupons by end of December 2008, and finally an estimated 50.5 million coupons on a cumulative basis by the end of the Program.

d. Amount of Administrative Funds

Finally, the amount of administrative funds associated with the Program puts an effective cap on the number of coupons that can be issued, due to the costs associated with taking additional consumer requests and distributing the coupons. Congress designated \$160 million to be used for Program administration, including consumer education. On September 30, 2008, the President signed legislation providing NTIA with the statutory flexibility, if needed, to spend up to an additional \$20 million on administrative expenses of the Coupon Program, above the \$160 million authorized under the Act.⁹ Of this amount, \$7 million will be used to fund full

⁹ See Division A, Section 121 of H.R. 2638, the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act of 2009, Pub. L. 110-329.

processing capacity at 50.5 million coupons. The additional \$13 million will only be used if other needs arise as discussed in the planning scenarios.

C. Implications of Funding and System Capacity on Coupon Availability

The fact that de-obligated funds from expired unredeemed coupons is only source for new coupons requested after the first 33.5 million base and contingent coupons are issued has several implications for the Program, both on its operation and on the total number of coupons that can be issued.

First, it will be difficult to exhaust the authorized \$1.34 billion in coupon funding regardless of the level of coupon demand. The funding associated with any coupons issued after January 10 that expire unredeemed would be available too late to be recycled for future coupons, since it would become available past the final date for coupon issuance, April 10. Using a cumulative redemption rate of 50 percent and a likely scenario for coupons issued during Q1 2009, the Program may return to the U.S. Treasury up to \$340 million of the \$1.34 billion authorized coupon funding.

Second, it is possible that there will be temporary periods of time when new coupons cannot be issued. Depending on the rate of requests, coupon *obligations* could temporarily reach \$1.34 billion. In such a situation, incoming requests would be held, perhaps for one or more weeks, pending the availability of de-obligated funds from expiring coupons. IBM would process those pending requests at the point funds became available until requests reach 50.5 million coupons. While this circumstance is most likely to occur in January or February, in any case requests received after March 31, 2009, would not be held for further processing. Government accounting regulations prevent obligating more than this amount, even if NTIA is reasonably confident that future coupon expirations would cover obligations that are temporarily greater than the amount of funded coupons. The following Table 5 shows the number of coupons that have, or will, become available in each month due to the actual or anticipated de-obligation of funds, and the cumulative total number of coupons available.

Table 5 – Cumulative Available Coupons

Month (May 2008 to Feb 2009)	Monthly De-obligated Coupons	Cumulative De-Obligated Coupons	Available Coupons in the Month	Cumulative Available Coupons
May	371,984			22,621,984
June	1,602,921	1,974,905		35,474,905
July	2,616,644	4,591,549		38,091,549
August	2,664,017	7,255,565	16,251,424	40,755,565
September	1,481,214	8,736,779	15,316,249	42,236,779
October	1,562,000	10,298,779	13,243,285	43,798,779
November	1,858,000	12,156,779	10,976,197	45,656,779
December	1,506,000	13,662,779	7,830,336	47,162,779
January	2,100,000	15,762,779	4,774,413	49,262,779
February	1,680,000	17,442,779	1,873,559	50,500,000

Note: Data for months in blue are projections based on 50 percent redemption rate. Data in column 3, Cumulative De-Obligated Coupons, should be added to 33.5 million to sum to figures in column 5, Cumulative Available Coupons.

The largest number of coupons requested in a single month to date has been 4.2 million coupons, so NTIA believes it is most likely that a situation where coupon requests would be pended would occur no earlier than January 2009, when the number of available coupons is close to that number. It is much more likely to occur in February 2009.

Third, the later that coupons are requested, the fewer the number of total coupons that can be issued. Later in this plan, NTIA looks at a scenario where demand in the October to December timeframe is comparatively low. In that scenario, fewer than 50.5 million coupons in total can be issued. However, NTIA believes that this scenario is unlikely, and that the Program will be able to issue a total of 50.5 million coupons.

Finally, a change in the coupon redemption rate would change the number of coupons available. The higher the redemption rate, the fewer coupons can be “recycled” from coupons which expire unredeemed. For example, the Program estimates that a 5 percent increase in the cumulative redemption rate – to 55 percent – would result in approximately 500,000 fewer coupons available on a cumulative basis.

V. FINAL PHASE PLAN FOR COUPON DISTRIBUTION AND ALTERNATIVE DEMAND SCENARIOS

The Coupon Program is dynamic and NTIA monitors data constantly to project the number of coupons that it might be able to distribute within various timeframes, with available funds, and given system processing capacity. As NTIA has gained actual experience with coupon funding, systems capacity, and effective consumer education, Program projections have been refined. As part of this plan, NTIA has prepared three possible demand curves that describe a range of possible outcomes. The first scenario, referred to here as the “Target Scenario,” represents NTIA’s final phase plan for coupon distribution wherein consumer education focuses on driving an optimal level of demand. Two less-desirable alternative scenarios also are discussed: in the first alternate scenario, demand for the coupons in the 4th quarter remains relatively unchanged from the previous quarter resulting in a significant demand spike in February. Under the second alternate scenario, which is based on the Wilmington, N.C. experience, demand increases 75 percent or more in the 4th quarter over the third quarter. Based on the experience to date, the “Target Scenario” also is the most likely, and will result both in a greater number of consumers being prepared for the digital transition.

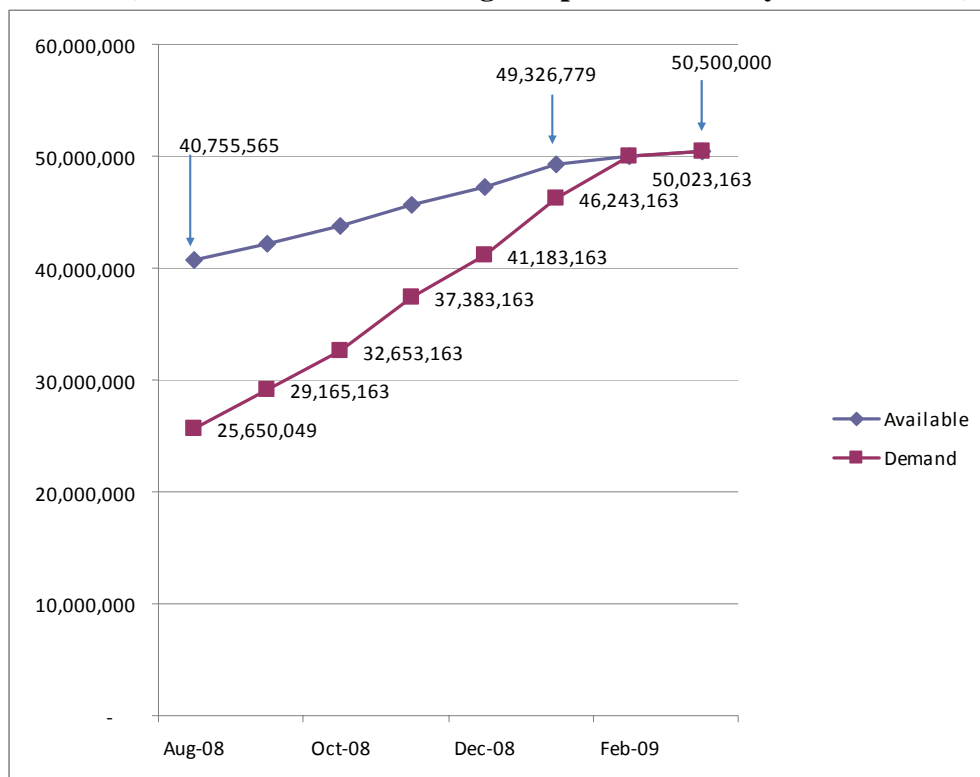
A. Target Scenario

This Plan assumes that the distribution of 50.5 million coupons is sufficient to meet demand and will work within the Program’s operational and statutory constraints. Having received requests for approximately 29 million coupons as of September 30, the most effective way to achieve the Program goals would be to steadily build demand for the remaining 21 million coupons through the end of January 2009. Therefore, NTIA is focusing its consumer education messaging with the goal of driving consumer demand in each of the months of November, December, and January by an additional 30 percent over 3.3 million coupons, which is the average monthly coupon demand to date and the baseline NTIA has established for its projections. This would result in a monthly average number requests for 4.3 million coupons.

The Program notes that September requests of 3.5 million coupons already surpass the baseline, and the Program expects at least as many for October. As shown in Figure 3 below under the optimal demand curve, consumers would request at least 1 million additional coupons per month in November, December, and January over the average demand of 3.3 million coupons. In addition, at this rate, NTIA would model theoretical demand for February at 3.4 million coupons and March at 1.3 million coupons, as the demand for coupons is projected to drop significantly after the transition date.

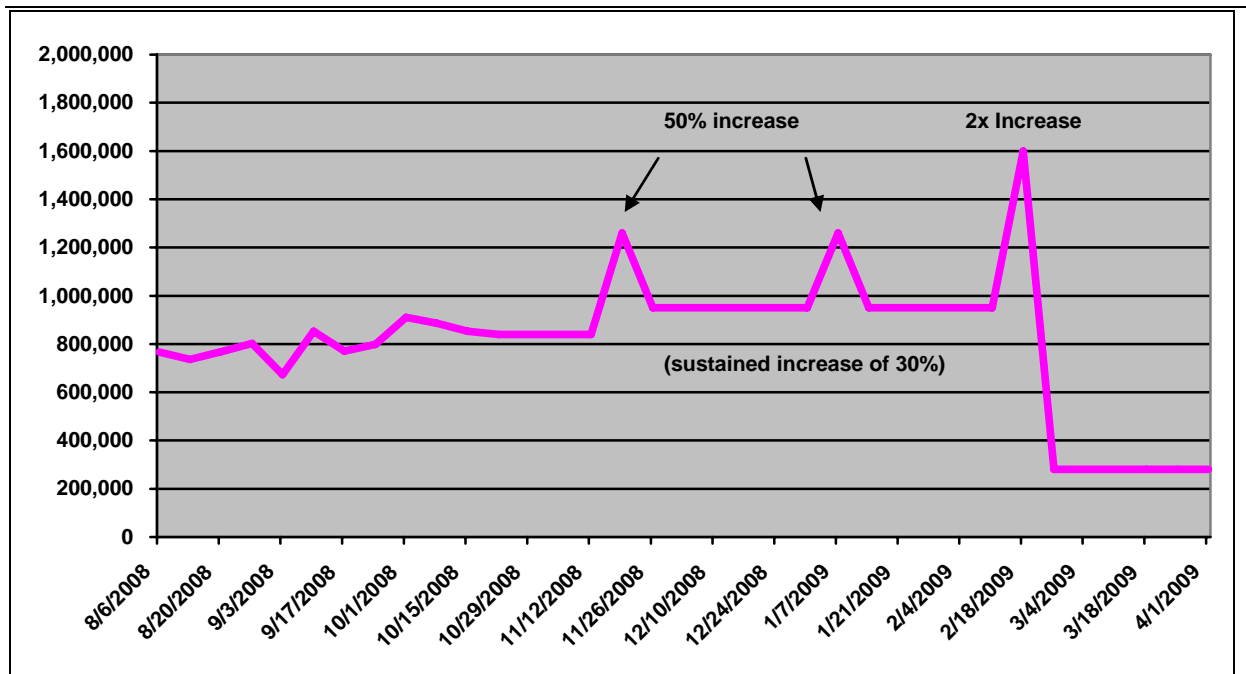
The Program’s experience in Wilmington, N.C. demonstrates that consumers can and will respond to a message that urges them to act promptly. After the Federal Communications Commission (FCC) announced on May 8, 2008, that broadcasters in the Wilmington DMA would cease analog broadcasts effective at noon on September 8, 2008, coupon requests grew by over 300 percent through early September, compared to about 94 percent for the nation as a whole. Because the Wilmington transition occurred in a condensed period of time, NTIA projects a smaller increase in requests over the extended period of time in which the entire nation must act. Nationally, consumers who intend to use the coupon/converter option would benefit if they responded as quickly as did the residents of Wilmington, N.C. to request their coupons well in advance. What was not as clear to many Wilmington residents, however, was the necessity of promptly purchasing and connecting their converters. There were technical issues that surprised some consumers and increased the stress associated with the analog shut down. With the lessons learned from that pilot test, desired demand curve is designed to afford consumers nationwide the time needed to receive a coupon, purchase a converter, and connect it effectively.

**Figure 3 – Optimal Demand Curve
(Cumulative Data Showing Coupon Availability and Demand)**



Even if the Program achieves the Target Scenario’s demand curve, a potentially significant number of consumers will make coupon requests on or about February 17, 2009. NTIA notes that in the first week of January 2008, consumers requested over 2 million coupons. On January 2, 2008, the Program’s single day with the highest demand, the Program received requests for more than 900,000 coupons. On February 17, 2008 (“one year out”), the Program received requests for more than 200,000 coupons. Using Program averages as a baseline (3.3 million per month 750,000 per week or 107,000 per day), the Program projects that NTIA could encounter some peaks in demand around key events associated with transition. This projection includes a 67 percent increase for both the week of a “100 days out” event (similar to Wilmington) in mid-November and for the end of December consistent with consumer messaging. It also includes more than twice the weekly average demand in mid-February, topping out at approximately 1.6 million coupons for the week of February 18, 2009. These spikes, as well as the significant drop in requests after the transition date, are consistent with patterns experienced in Wilmington.

Figure 4 – Desired Coupon Requests by Week



As shown above, if the optimal demand curve is achieved, the Program expects to be able to process incoming requests without delay.

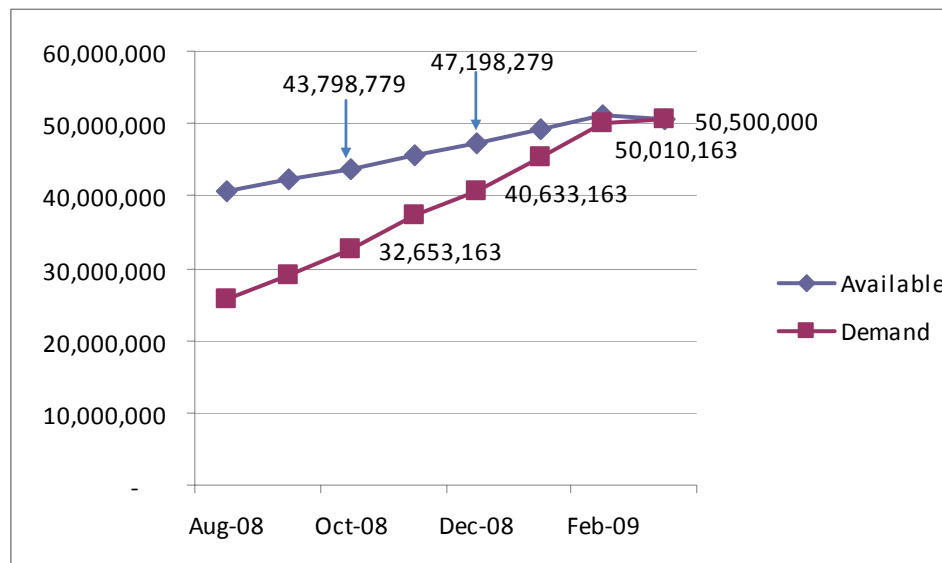
For all of the reasons described above, the Program believes that the Plan is appropriately built on this first scenario. The Plan is focused on the Program’s goal to reach NTIA’s targeted audiences with a message that moves them to request coupons with enough time to purchase a converter and resolve technical challenges, such as reception and antenna issues, that may arise. Working toward this optimal demand curve would also make the most efficient use of Federal funds, and should not subject consumers to delays in processing due to system capacity or availability of funds.

It is, however, important for the Program to consider other less optimal, yet possible, scenarios. Two such possibilities are described below.

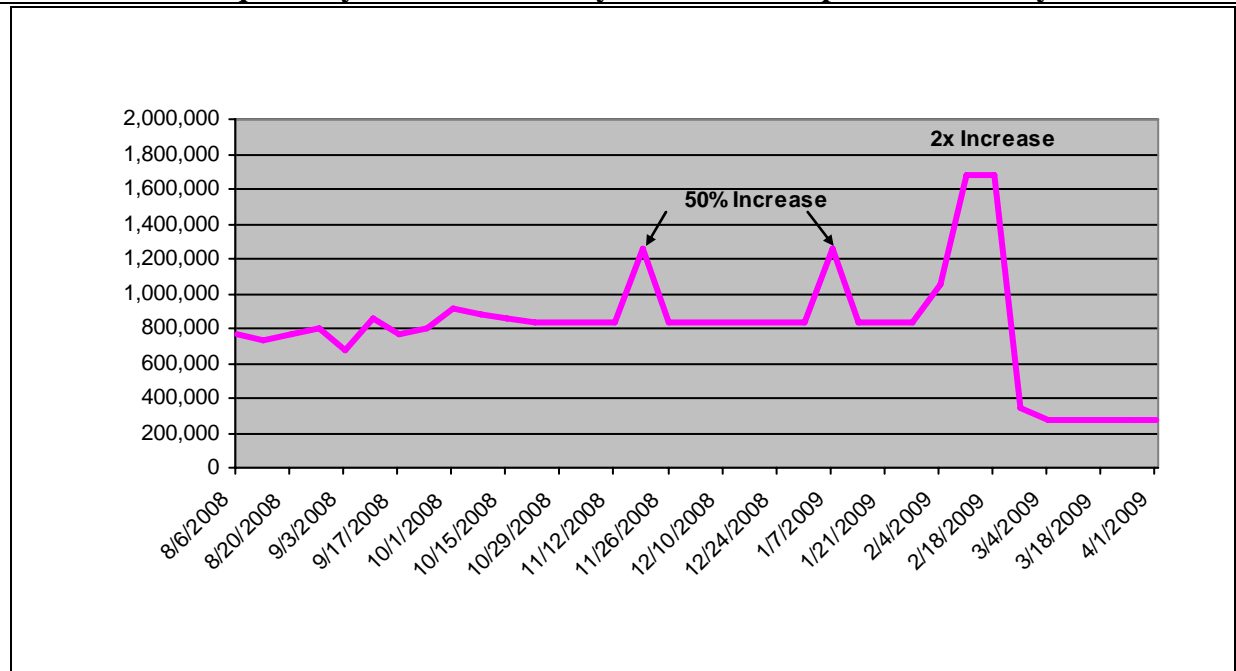
B. Alternate Scenario 1 – No Increase in Demand with Spike near Transition Date

Under this scenario, which assumes a substantial number of consumers wait until the last moment and do not respond to the call to action between November and January, the distribution of 50.5 million coupons also is sufficient to meet demand. As shown in Figures 5 and 6 below, demand for coupons would remain at September and October rates estimated at 3.5 million. This represents a sustained increase of 6 percent over the baseline of 107,000 per day rather than the 30 percent represented in the Plan’s optimal demand curve. Using the same baseline as the optimal curve for this scenario, the Program again projects that it could encounter some peaks in demand around key events associated with the transition. This includes a 67 percent increase for the week of a “100 days out” event in mid-November and a 67 percent increase for the end of December consistent with the Plan’s consumer messaging. The major increase in demand, however, would not occur until mid-February, when weekly demand for coupons peaks at 1.7 million and is sustained for a two-week period.

**Figure 5 – Alternate Scenario One
Steady Demand with Spike in February
(Cumulative Data Showing Coupon Availability and Demand)**



**Figure 6 – Alternate Scenario One
Requests by Week with Steady Demand and Spike in February**



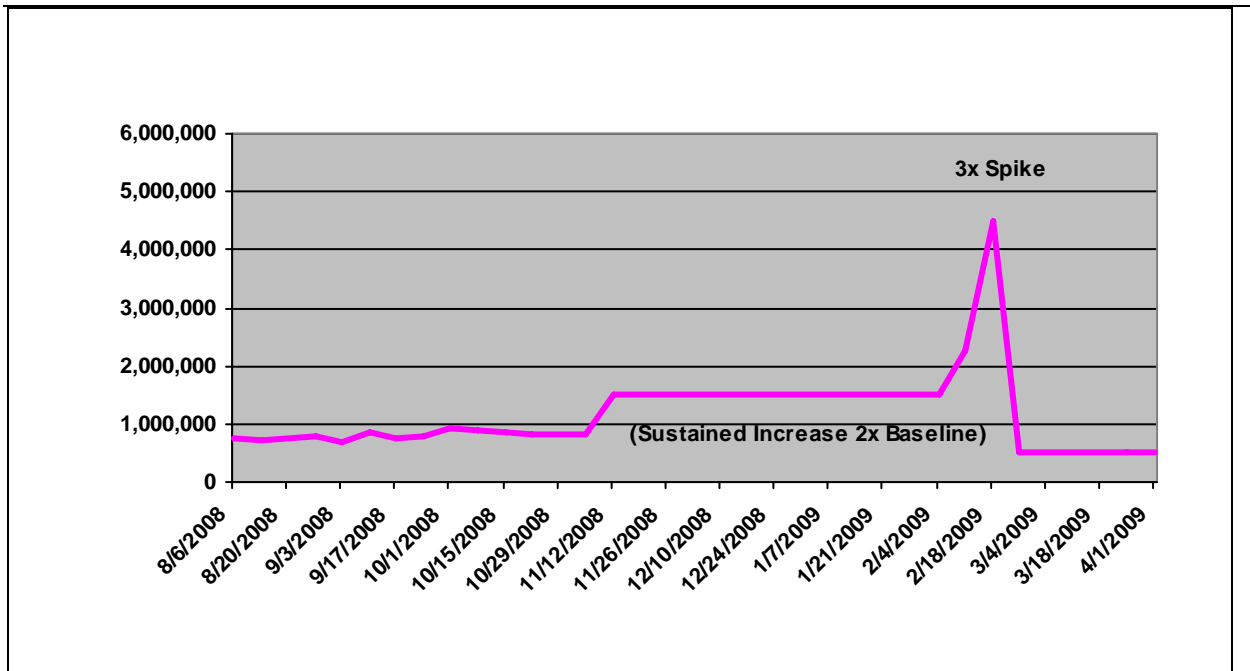
While under such a scenario the distribution of 50.5 million coupons would be sufficient to meet consumer demand, this alternate scenario would be undesirable because the sudden and significant demand may exceed the capacity of the Program’s coupon fulfillment system, thus potentially delaying coupon issuance in February. By this point, NTIA expects that a considerable number of consumers will have pursued alternatives for DTV viewing (including purchasing a converter without a coupon or purchasing a digital television). As a result, the Program would experience a drop in redemption rates for coupons issued under this scenario. If coupon request data demonstrates that this scenario is likely to happen, NTIA will notify the Congress and address the matter as quickly as possible.

C. Alternate Scenario 2 – Significant and Sustained Coupon Demand

Alternate Scenario Two assumes immediate, extremely heavy and sustained increases in coupon requests, such that demand for coupons surpasses the Program’s ability to distribute coupons in the first quarter of 2009. This scenario is modeled after demand patterns experienced as part of the Wilmington transition, which increased by twice that of the nation at the time Wilmington’s early transition was announced in May 2008. Note that Wilmington requests increased by 300 percent while the national average increased by almost 100 percent, which represents a net 200 percent increase or a rate of demand going forward twice that of the nation. In addition, demand in Wilmington created a spike for the week of its transition nearly three times its weekly average leading up to the transition. Because the Wilmington transition occurred in a compressed period of time, NTIA will assume only a 100 percent increase over baseline demand in advance of a spike in February. Accordingly, this model assumes that demand will increase by twice the monthly baseline of requests for 3.3 million coupons beginning in November - one hundred days prior to the transition, which represents requests for

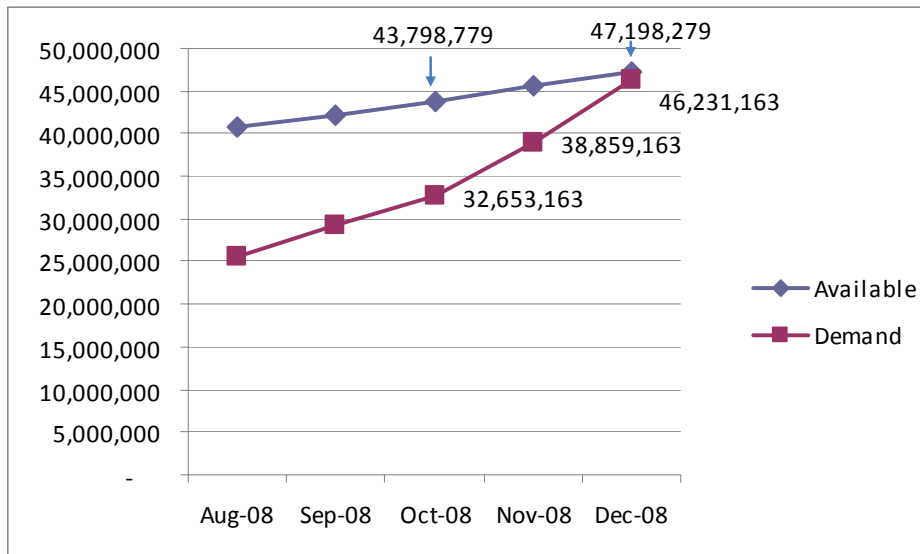
1.5 million coupons per week, or 6 million coupons per month. In addition, the model assumes a three times spike for the week of the nation’s transition around February 17. This is depicted in Figure 7 below. In this scenario, cumulative demand for coupons would exceed 62 million over the life of the Program.

**Figure 7 – Alternate Scenario Two
Significant and Sustained Coupon Requests by Week
(Modeled on coupon request pattern in Wilmington, N.C.)**



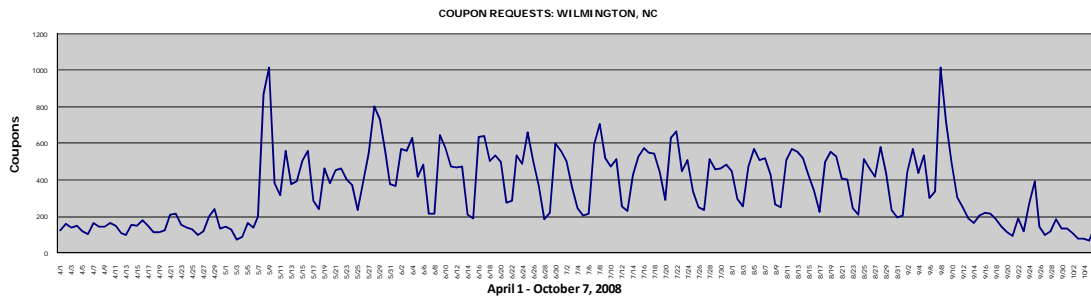
As noted in Figure 8 below, this scenario exceeds the Program’s capacity to timely distribute coupons. More importantly, the \$1.34 billion in coupon funding could become “fully obligated” in the middle of January 2009, with approximately 49 million coupons issued. At that point, the de-obligated coupon funds from expiring and unredeemed coupons would be insufficient to meet demand. Although the Program could honor an additional 2.5 million coupon requests over the first quarter, these requests could be held for a month or longer until funds became available. Furthermore, the Program could only accept requests for coupons that to be issued by April 10, which is the date the contractor is scheduled to finish issuing coupons. Any coupon request and distribution activities beyond these limits would have significant cost implications to the Program.

**Figure 8 – Alternate Scenario Two
Significant and Sustained Increase in Demand
(Cumulative Data Showing Coupon Availability and Demand)**



While this scenario is theoretically possible and modeled after the demand pattern experienced in Wilmington, N.C. (Figure 9 below), as a practical matter it is highly unlikely to be realized. The average daily requests for coupons would have to increase from approximately 107,000 coupons to over 214,000 coupons. Apart from the first four days of January, on only one other day has the Program received requests for more than 200,000 coupons, *i.e.*, 227,000 coupons after the “one year out” event on February 17, 2008, after which demand dropped back to lower levels. NTIA monitors coupon requests daily to track demand patterns and its alert to changes in the volume of coupon requests. This scenario is clearly beyond the Program’s means because, as described above, as of mid-January, the Program may have to hold requests for a month or longer as recycled funds from unredeemed and expired coupons become available. If coupon request data demonstrates that this scenario is likely to happen, NTIA will notify the Congress and address the matter as quickly as possible.

Figure 9 – Coupon Request Activity in Wilmington, N.C.



The next section addresses how the Program will execute its core strategy to use consumer messaging to attempt to accelerate demand for coupon requests in the months immediately preceding the transition. The consumer education plan also provides flexibility to communicate the appropriate messages and draws upon federal and private partners to address numerous scenarios, as well.

VI. CONSUMER EDUCATION MESSAGING

The Program is working with its partners to urge consumers who wish to keep their analog TV sets working after February 17, 2009, using a converter box to apply for coupons before the end of the year. To date NTIA's industry, government and nonprofit partners have been responsive when the Agency has pivoted its message, so NTIA would expect organizations to adopt quickly to this urgent appeal. In particular, NTIA will focus NTIA's efforts with partners who can deploy resources in the Agency's target markets among populations who, on average, are more likely to depend on OTA television.

NTIA's consumer education strategy—developing clear, customizable materials; collaborating with, and delivering information through, trusted partners; and reaching communities through the media outlets they watch, read, and listen to—has proven effective with the Coupon Program continuing to be very popular among consumers. In the fourth quarter of 2008, the Program will continue this strategy, but with messaging customized for the Program's final phase. For example, the Program will sharpen its message to urge OTA consumers to request and redeem coupons promptly—and allow themselves at least six weeks to prepare for a smooth digital transition.

While NTIA has encouraged consumers to apply for their TV Converter Box Coupons early, beginning in October 2008 the Program's primary message will emphasize the urgency of applying for a coupon before year's end. NTIA has likely reached the consumers who tend to plan ahead, but NTIA must now target those who tend to delay their decision making or action. To reach those that have not understood the urgency of taking action, NTIA needs to provide one or more reasons to act and to urge them not to delay. As NTIA learned from the Wilmington Test Market, alerting consumers to the need to prepare early yielded steady high coupon demand. We will convey the urgent message in the context of other key information NTIA has been communicating, such as which consumers actually need a converter box, and the other options available to make the transition. NTIA recognizes the importance of continuing to discuss these options, including purchasing a converter box without a coupon, because the Coupon Program may not be the preferred solution for consumers who wait to act until 2009. Those consumers probably have insufficient lead time to obtain a coupon, purchase a box and install it before the digital transition occurs.

A. October, November, December 2008: Apply, Buy and Try

On September 30, 2008, NTIA launched the Third Phase of the consumer education campaign, which NTIA is calling "Apply, Buy and Try" for consumers who want to use a coupon to buy a converter box. The campaign consists of a three-step process that these OTA consumers should allow themselves at least six weeks to complete. First, NTIA is urging

consumers to **apply** for their coupons today. Second, NTIA would encourage them to **buy** their converter boxes without delay. Third, consumers should **try** the box on an analog TV and seek technical support if problems arise. Consumers should allow themselves six weeks to complete these steps and from the time a consumer submits a coupon application, including allowing around 3 weeks for coupon requests to be processed and mailed. The balance of time will allow consumers several weeks to find the right converter box and to resolve any technical issues that might occur. To avoid the risk of losing TV service, the campaign urges consumers to apply for coupons without delay since coupons are distributed on a first-come-first-served basis.

As outlined in the Program’s Consumer Education Plan, NTIA’s primary target audience to receive these messages is OTA households. These households are, on average, more likely to be headed by low-income Americans, seniors, minorities, disabled individuals and rural residents. In its Consumer Education Plan, NTIA identified 45 priority markets targeted for high intensity outreach because of their large number and/or percentage of OTA households, and/or their rank among the ten largest concentrations of the Program’s target demographic groups (minorities, seniors, disabled, rural, low income). Those markets, listed in Table 6, will continue to be a primary focus of NTIA’s efforts and include 21 of the largest 25 markets as well as smaller markets with large percentages of OTA households.

Armed with coupon request data—and knowledge of the number of OTA households in each market likely to purchase a converter box—NTIA is reviewing the intensity of its outreach to each DMA on a monthly basis. If markets have low coupon request rates, but were not among the original priority markets, then NTIA will intensify the outreach there. As of October 1, 2008, NTIA has identified 30 markets with low coupon request rates for OTA households.

Table 6 - 45 Priority Markets

ALBUQUERQUE SANTA FE, NM	LAREDO, TX	PHOENIX, AZ
ANCHORAGE, AK	LOS ANGELES, CA	PORTLAND, OR
ATLANTA, GA	LUBBOCK, TX	SACRAMENTO STOCKTON MODESTO, CA
BOISE, ID	MIAMI FT. LAUDERDALE, FL	SALT LAKE CITY, UT
BOSTON MANCHESTER, MA - NH	MILWAUKEE, WI	SAN ANTONIO, TX
CHICAGO, IL	MINNEAPOLIS ST. PAUL, MN	SAN DIEGO, CA
DALLAS FT. WORTH, TX	FT. WAYNE, IN	SAN FRANCISCO OAKLAND SAN JOSE, CA
DENVER, CO	GREEN BAY APPLETON, WI	SEATTLE TACOMA, WA
DES MOINES AMES, IA	HARLINGEN MCALLEN BROWNSVILLE, TX	SOUTH BEND ELKHART BENTON HARBOR, IN
DETROIT, MI	HELENA, MT	SPRINGFIELD, MO
DULUTH SUPERIOR, MN	HONOLULU, HI	ST. LOUIS, MO
EL PASO, TX	HOUSTON, TX	TAMPA ST. PETERSBURG SARASOTA, FL
FAIRBANKS, AK	INDIANAPOLIS, IN	TULSA, OK
FRESNO VISALIA, CA	NEW YORK, NY	WASHINGTON, DC
JOPLIN PITTSBURG, MO - KS	PHILADELPHIA, PA	YUMA EL CENTRO, CA

Table 7 - 30 Markets with Low OTA Household Coupon Participation Rates

ANCHORAGE, AK*	JUNEAU, AK
BILLINGS, MT	LAFAYETTE, IN
BURLINGTON PLATTSBURGH, VT - NY	LAS VEGAS, NV
BUTTE BOZEMAN, MT	MANKATO, MN
CASPER RIVERTON, WY	MISSOULA, MT
CHARLOTTESVILLE, VA	MONROE ELDORADO, LA - AR
COLORADO SPRINGS PUEBLO, CO	MONTEREY SALINAS, CA
EUREKA, CA	ODESSA MIDLAND, TX
FAIRBANKS, AK*	SACRAMENTO STOCKTON MODESTO, CA*
GLENDIVE, MT	SALT LAKE CITY, UT*
GRAND JUNCTION MONTROSE, CO	SAN DIEGO, CA*
GREAT FALLS, MT	SANTA BARBARA SANTA MARIA SAN LUIS OBISPO, CA
HELENA, MT*	SEATTLE TACOMA, WA*
HONOLULU, HI*	SPOKANE, WA
IDAHO FALLS POCA TELLO, ID	YAKIMA PASCO RICHLAND KENNEWICK, WA

Note: Those markets with an asterisk overlap with the 45 priority markets

NTIA’s outreach efforts during the fourth quarter 2008 will primarily focus on reaching media with certain geographic and demographic targets, supplemented with secondary outreach to national media. Local and regional media may provide concentrated coverage of high OTA markets and OTA markets with disproportionate numbers of target populations, such as Hispanics, seniors, as well as communities along the U.S.-Mexican border. Those media include (a) local TV and radio stations; (b) major daily newspapers; and (c) local trade publications. Although NTIA will attempt to reach vulnerable populations through the geographically targeted media outlined above, additional media outreach will focus on each of the vulnerable populations based on their respective media habits and preferences. NTIA will identify television and radio stations, as well as publications, targeted to seniors, African-Americans, Hispanics, Asian Americans, and disabled populations.

Also, as called for in the “DTV Transition Assistance Act” (Pub. L. No. 110-295) (Assistance Act), NTIA will develop a plan for use of funds authorized under Section 3008 of the Act (Low-Power Television and Translator Digital-To-Analog Conversion) to provide consumer education and assistance about the Coupon Program to nonprofit or public-interest groups.

The Program will also rely on key national media organizations to enhance its outreach. Those outlets will include (a) national TV broadcast networks (morning shows and nightly news); (b) TV cable networks; (c) TV talk shows/TV news magazines; (d) national radio; (e) national print news weeklies; (f) national print Sunday supplements; (g) print wire services; (h) magazines; (i) industry trade publications; and (j) online outlets. Table 8 reflects the month-by-month tactics NTIA will deploy.

Table 8 - Month-by-Month Consumer Education Tactics

Month	Message	Tactic
October	3 Steps, 6 Weeks	Encourage Apply, Buy and Try
November	100 Days Out	Encourage Apply, Buy and Try
December	Friends & Family	Encourage Apply, Buy and Try
January	Know Your Options	Choices to Receive TV after the Transition
February	Know Your Options	Choices to Receive TV after the Transition
March	Know Your Options	Choices to Receive TV after the Transition

The emphasis for October will highlight the “Apply, Buy and Try” message and the urgency for consumers to act quickly. Outreach will focus on helping consumers understand the timeline to apply for the coupon, buy a converter box and try the box on their TV.

NTIA held a telebriefing and disseminate an accompanying press release on September 30, 2008. The telebriefing focused on encouraging consumers to order coupons now, provided an update on the Coupon Program, including request and redemption data, as well as reinforced the importance for consumers to use the coupons before they expire. The release emphasized and explained the core message of the consumer education strategy: encouraging consumers to apply for a coupon, buy a converter box, and try the box on their television to troubleshoot ahead of the transition. It also included a graphic timeline showing how long consumers should give themselves to complete the three steps to prepare for the digital transition.

To maximize geographically focused media, NTIA has selected key OTA markets (Tables 6 and 7, above) and is soliciting interviews for NTIA representatives to publicize the Coupon Program. NTIA staff also is leveraging opportunities to participate in conferences and events to generate media interest in the Program. Such events include:

- Salt Lake City application sign-up event (September 30, 2008)
- Department of Information Technology Coupon Program Sign-Up Event: Seattle, Washington (October 1, 2008)
- OCTA Ohio Cable Institute: Columbus, Ohio (October 1, 2008)
- Assistant Secretary Baker in Austin, Texas (October 16, 2008)

NTIA also is seeking earned media to provide additional contact with those populations who are disproportionately over the air, including minorities and low-income individuals, through their accessed and trusted communication channels. The Program will distribute a matte release—a formatted, consumer-related article—to key African American and Hispanic community newspapers across the country. Newspaper editors use matte releases to supplement

staff-written stories to fill soft news sections of the paper. This matte release will include a graphic timeline showing the amount of time consumers should allow to prepare for the transition if they are choosing the converter box option using a government coupon. In addition, the timeline will emphasize the “Apply, Buy and Try” message and highlight the need to redeem the coupon before the 90-day expiration date. The article will encourage consumers to apply for a coupon, buy a converter box and try the box on their television to troubleshoot ahead of the transition. The article will include consumer options to prepare for the transition and information on how to request a coupon through the Coupon Program. The Program will also distribute a release via U.S. Asian Wire, which distributes news releases and multimedia content to Asian, South Asian and Pacific Islander media outlets and organizations. The news release will also highlight the “Apply, Buy and Try” campaign.

In November, the media focus will be launching the 100-day countdown until the transition. NTIA will hold a satellite media tour (SMT) and conduct a radio actuality with Secretary Gutierrez marking the 100-day countdown until the transition. Outreach for the media tour will be focused on a mix of Spanish- and English-language media outlets in cities with significant OTA populations. The SMT will encourage consumers to apply for coupons, reminding those with coupons to redeem prior to the expiration date and the options consumers have to redeem their coupons (*i.e.*, store, phone, online). NTIA will distribute the radio actuality to more than 500 radio stations nationwide.

NTIA will collaborate with the DTV Transition Coalition and other partners to participate in media activities surrounding the “100 Days Out” campaign and will use this occasion to promote its message that consumers should request their coupons immediately and prepare well in advance of February 17, 2009. The DTV Transition Coalition is a group of over 200 industry, nonprofit and government entities, whose mission is to ensure that no consumer loses television reception on February 18, 2009, for lack of information about the transition. The Coalition has led the digital television transition consumer education campaign by coordinating activity at the national level and sharing information to ensure that consumer messaging is consistent and unified. The National Association of Broadcasters, which has acted as the secretariat for the Coalition, has committed to running action spots valued at over \$1 billion. According to the plan most broadcasters selected under the FCC’s “DTV Consumer Education Initiative” Report and Order, they will air an average of 16 public service announcements (PSAs) per week and an average of 16 transition-related crawls, snipes and/or tickers per week. NAB estimates that households might see one of these ads 152 times during the course of the transition. Once the broadcasters begin to countdown 100 days until the transition, it is expected that publicity and promotion surrounding the digital transition will accelerate.

NTIA has developed a one-page “Apply, Buy and Try” flyer, and already dozens of DTV Transition Coalition members have embraced it, distributing this information to their constituents. The National Association of Broadcasters is adding it to its e-toolkit, which is an online clearinghouse of useful information about the DTV transition for members. The National Cable & Telecommunications Association is also using it for paid advertisements in a variety of community based Spanish-language newspapers. In addition, NTIA is working with trusted intermediaries in its priority markets to disseminate the new message, such as to Texas Catholic Charities in Odessa, Texas, and Neighborworks in Great Falls, Montana.

NTIA is also enhancing its collaboration with other Executive branch agencies to get the word out about the new campaign. The Agency has been assisted in these efforts by the Office of Management and Budget and the Office of Science and Technology Policy, which hosted a meeting of officials from 24 Executive branch agencies on September 12, 2008. One noteworthy outcome of the meeting is that over a dozen agencies have committed to accelerating their consumer education activities. For example, the Consumer Product Safety Commission will insert NTIA's "Apply, Buy and Try" brochure into envelopes fulfilling consumer publication requests through February 2009. The Centers for Medicare and Medicaid Services will also disseminate NTIA's new brochure during its Open Enrollment outreach events through the end of the year. The U.S. Department of Health and Human Services' Indian Health Service has also stepped up to educate Native American tribes and tribal organizations about the DTV transition and the Coupon Program.

The Program will also conduct outreach in November to publications reaching Native Americans, such as Native Peoples, Colors NW, Seminole Tribune, and Navajo Times, to secure interviews with NTIA representatives or to offer resources for publication including Secretary Gutierrez's op-ed. In addition, NTIA will contact various radio stations throughout the country that feature Native American programming including, Voices From the Circle, Native America Calling, and National Native News, to solicit interviews for NTIA officials.

November will also include robust outreach to publications targeted at older Americans. For example, the Program will contact publications such as AARP Broadcast News, Where to Retire, Senior Living News, and Senior Spectrum to offer interviews with NTIA officials and an op-ed by Secretary Gutierrez.

Conferences in which NTIA will participate in November include the National Hispanic Caucus of State Legislators and the National Grange Annual Conference, thus reaching decision makers from two of NTIA's key target populations about the "Apply, Buy and Try" campaign.

During the month of December, the Program will focus on encouraging consumers that are already prepared for the transition to help their friends and family get ready. The Program will distribute a news release with tips on that topic. This release will also provide an update on the Coupon Program, including the latest number of coupon requests, redemption data and expectations for the rest of the Program. As the transition draws nearer, NTIA anticipates that media will be seeking more information to inform coverage of the Program's role in the transition. It will become even more important and beneficial to provide them with regular updates that highlight key Program achievements and milestones beginning in December.

The Program will focus its efforts in December on reaching rural consumers by conducting outreach to radio stations and programs in rural areas seeking opportunities for interviews for NTIA spokespersons. In addition to participating in the National Grange Annual Conference, some targets for outreach include the following local radio programs: Clear Mornings (Bend, Oregon), Coffee Hour (Columbia, South Carolina), Community Affairs (Mankato, Minnesota), Community Insight (Parkersburg, West Virginia) and Coffee Time (Fargo, North Dakota).

NTIA will also conduct outreach to media focused on the disabled community, highlighting the “Apply, Buy and Try” campaign. Some targets for outreach include Exceptional Health, Hearing Health, Ability, and Disability Newsradio. NTIA will secure interviews for NTIA or provide a bylined article or op-ed by Secretary Gutierrez.

During the week between Christmas and New Years, Ketchum will pitch NTIA officials to major media outlets, such as national morning shows, to urge consumers to apply before the end of the year. If NTIA’s message is registering with consumers, NTIA might expect an increase in consumer demand for coupons before the end of the year.

The Coupon Program also is increasing its outreach to communities along the U.S.-Mexico border areas, such as San Diego, El Paso and Odessa-Midland. NTIA’s partners, especially Univision and other Spanish language broadcasters, as well as community organizations such as the National Council of La Raza, have contributed greatly to these efforts along the border. Secretary Gutierrez also has played a major role in reaching out to these communities. NTIA is very pleased that awareness of the DTV transition and the Coupon Program is among the highest along the U.S.-Mexico border, and will continue to work to ensure these communities are prepared for the transition by February 17, 2009.

B. January, February and March 2009: Know Your Options

In January and February 2009, consumers who wish to maintain their television service on their analog TV set will need to know their options and the trade-offs associated with each. For example, an OTA-reliant consumer who applies for a coupon on February 1, 2009, may not receive coupons in time to make a purchase and install the converter box before February 18. Therefore, consumers need to know the options they have if they do not want their TV service disrupted.

Since 2007, NTIA has been promoting three choices for OTA television viewer to make the transition successfully. They can replace their TV sets with a newer digital television. They can connect their existing set to cable, satellite or other pay TV service. Or they can hook up their TV to a converter box. The challenge for consumers who wait until the transition is upon them to order a coupon is they may not receive coupons before the February 17 transition date. They will need to choose whether they want to forego watching broadcast television temporarily or make another choice to ensure no disruption of service. It should be noted that even a choice to connect to cable or satellite service could take several weeks of advanced planning, so NTIA will continue to urge consumers to prepare early, since they will otherwise run out of time—and options—as the transition date approaches.

In the first quarter 2009, NTIA will continue its strategy of working with trusted partner organizations and pitching media to gain widespread coverage of NTIA’s core messages. As the transition approaches, consumers will be hearing the broadcasters’ “countdown” message, especially in the final two weeks before February 17, 2009, when ads will literally count down the final two weeks. In this environment, NTIA will need to work with its partners, including the broadcasters, to convey to those consumers who have postponed their decision to the end that their choice to request coupons will likely include an interruption of television service.

Consumers who would prefer not to have their service temporarily interrupted would need to make other plans in the meantime.

Between January and March 2009, NTIA will also use funds set aside from the “DTV Transition Assistance Act” (Assistance Act), Public Law No. 110-295, to provide additional consumer education and assistance. In an October 2008 report “The February 2009 Digital Television Transition: The State of Digital Readiness in the U.S.,” The Nielsen Company indicated that about 8.4 percent of TV households, more than 9 million, are “completely unready” for the digital transition because they do not have a television set with a digital tuner, either internal to the set or external (*e.g.*, an analog TV connected to a digital converter box). NTIA’s goal is to maximize opportunities for these OTA consumers to avail themselves of the Coupon Program and to provide to vulnerable Americans with help as warranted under the Assistance Act. NTIA is focused on the following four major areas to optimize the use of its limited resources. While these four elements are priority areas of concentration, they do not circumscribe or limit potential use of the funds by NTIA’s Assistant Secretary.

NTIA will consider supporting activities that concentrate consumer education and technical assistance strategies on populations that are on average more reliant on OTA broadcasts, including minorities (African American, Hispanic, Asian, and Native American), seniors, rural residents, low-income individuals and people with disabilities. Tables 6 and 7 above provide the priority markets in which such activities should be concentrated.

Using coupon request data at the Designated Market Area (DMA) level, NTIA will focus its assistance on those markets in which participation in the Coupon Program by OTA-reliant households is lower than expected. As of October 1, there are 30 markets with very low household coupon request rates. These markets include those that are smaller in population, southern border communities, rural markets, and ones with a disproportionate number of translator and low-power stations.

NTIA acknowledges the need not just to inform consumers about the Coupon Program but to provide where appropriate and feasible hands-on assistance to vulnerable Americans who may have difficulty completing the application, picking up a converter box or connecting it to their TV sets. The Agency is encouraged by the variety of private-sector voluntary initiatives that are emerging across the Nation to provide assistance, such as faith-based and community-based initiatives. NTIA is also pleased that the Federal Communications Commission mobilized partners in Wilmington, such as local firefighters, to provide assistance for vulnerable seniors. The Agency will support the National Association of Area Agencies on Aging (N4A), in the form of a cooperative agreement, to provide one-on-one assistance to a quarter million older adults to help them complete the coupon application, obtain converter boxes and install them so they can keep their existing TV sets working. Under the umbrella of the “Keeping Seniors Connected Coalition,” a variety of organizations with extensive preexisting networks in neighborhoods and communities across the United States will help many seniors manage the DTV transition. With considerable recent experience with the Medicare Part D Campaign, these organizations are ready to hit the ground running to make the transition as seamless as possible for America’s most vulnerable seniors.

As discussed earlier, NTIA will continue to work with other Executive Branch agencies to enhance its awareness-building activities focused on vulnerable populations and its priority markets, including rural and southern border communities with a disproportionate number of translator and low-power stations. NTIA would consider supporting the efforts of other federal agencies, such as providing flyers or “stuffers,” to help promote key message for first quarter 2009.

VII. CONCLUSION

This Plan is an outgrowth of NTIA’s consistent message that the time for consumers to act is now. The success of that message is evidenced by the millions of households that have already made a successful transition to DTV.

NTIA has long realized the potential for a large increase in requests in the months of November and December 2008 and January and February 2009, and, with its contractor, IBM, has designed the Program to handle that increased demand. Consistent with its overall messaging, the core strategy to address this increase focuses on affecting consumer behavior so as to accelerate coupon demand such that it peaks at or near the end of 2008. NTIA has identified no significant system capability limitations to prevent the Program from successfully processing approximately 4 million coupons per month. However, consumers who wait until January to request coupons may find that they do not have sufficient time to take the steps necessary to make their analog television ready by the analog shut-off on February 17. Additionally, given that the possibility exists that the Program might temporarily bump up against obligation of funds limits, NTIA is exploring ways to alert consumers in real time that their application may be held pending the availability of funds from expired coupons. Should such delays occur, NTIA will work with its more than 270 federal and private sector partners to communicate to the public quickly and clearly about the situation and what to expect from the Program. The Consumer Education team has been emphasizing to consumers that requests are filled on a first-come, first-serve basis, and NTIA will underscore this message if and when the Program hits demand numbers that might delay coupon distribution.

The Program has worked well for consumers who have planned ahead and have considered their options with plenty of time prior to the February 17 transition date. By implementing this Plan, NTIA hopes to avoid unrealistic expectations that consumers will be able to order a coupon after January 1, 2009, and will still have time to take the steps necessary to maintain functioning analog television after February 17, 2009.¹⁰

¹⁰ NTIA has considered whether it could accommodate last-minute requests, such as by utilizing “downloadable” coupons or changing the Program into a rebate program, but have concluded that the statutory requirement to distribute coupons via the U.S. Postal Service prevents implementation of such changes. Even switching coupon delivery to a First Class mail or overnight status would be cost prohibitive for the Program.