



The day after 85% of the public in a television market receives digital service, 15% of the public will wake up to snow on their television sets. Even if the cost of a DTV-ready set declines to \$500 and the cost of a converter box declines to \$300, millions of Americans, including elderly and disabled persons surviving on social security, will be without the means to afford “free TV.” Thus, America faces the prospect of doing without universal television service for the first time since the 1950s.

A decline in television sets’ ubiquity just from 99% to 92% of households would devastate our system of mass communications. After all, a national network requires nearly 100% coverage. A national advertising campaign needs 100% coverage. The nation’s commerce operates on the predicate of universal coverage.

Quite apart from its commercial importance, nothing holds Americans together like universal television service. Television is the most influential force driving our cultural values and norms, our language and dialects, and the information we carry into the voting booth.

The exclusion of the least fortunate Americans from the community of television viewers would even further deepen America’s seemingly intractable social class divisions. It matters to all of us whether low-income families receive accurate and timely information about jobs, health care, school closings and homeland security. It matters to all of us that every American can watch when our candidates for elected office advertise or debate.

The CROs were the first to propose a voucher system:

[V]ouchers should be made available to the truly needy to help them early-adopt DTV technology. The vouchers could be financed, in part, by permitting broadcasters to pay into a voucher fund rather than roll out expensive full-market DTV service before the public is prepared to tune in. This option would actually accelerate the return of the analog spectrum, since the target of 85% of the public having digital equipment will be reached more rapidly if low-income families are early DTV adopters.

By paying into a voucher fund in this way, television licensees would satisfy at least some of low-income families’ need for assistance in preserving their free television service. The resources required to fully satisfy the need for this assistance can be derived from several other business groups that would benefit from such a program, including advertisers (who need 100% coverage), cable companies (wishing to retain loyal low-income customers) wireless companies (eager to use the spectrum now used by analog TV), and television set retailers and manufacturers (happy to turn vouchers into cash). The Commission should convene these business interests in a negotiated rulemaking, and persuade them to collaboratively create and underwrite a voucher program that will ensure that the prohibitive expense of DTV conversion does not deprive any American family of television.

Id. at 2-3. The CROs’ voucher proposal was explained in depth in the CRO Comments at 17-26.

The CROs contemplated that a voucher should pay for the entire cost of DTV equipment – sets or converter boxes. Further, the CROs proposed that a family not subscribing to more than the

basic tier of cable, and that is eligible for Housing Choice Vouchers, the National School Lunch Program, or the Food Stamp Program, would be eligible for DTV vouchers. Id. at 18-20.

To fund the voucher program, the CROs suggested that broadcasters could underwrite some of the cost in exchange for being allowed to delay full power DTV service until a critical mass of viewers becomes available. However, it appears that this is not the ideal method of financing vouchers, since the total that could be raised by this method would not underwrite most of the cost of a voucher program. As described below, a better method suggests itself.

Achievement of the 85% local market digital availability target that triggers the clearing of analog spectrum<sup>3/</sup> would be accelerated substantially if low income families – otherwise the least likely to convert quickly – could become DTV “early adopters.” See CRO Comments at 2. The value added to the wireless industry from even a few months of earlier-generated revenue would be enormous. That value would be reflected in earlier-received auction payments for the cleared spectrum. Those payments would be more valuable than (e.g.) 2008 payments because they would be monetized in an earlier-occurring year’s dollars. A small portion of those higher value auction revenues could be diverted to pay for DTV conversion. This plan would also provide consumers additional wireless service, at lower prices, at an earlier-than-expected date.

Another advantage of this plan is that it would not impose a levy on a particular industry, nor would it draw upon general tax receipts. Instead, it would pay for itself through the auction process. It is the essence of the successful “Berlin Model,” which we support wholeheartedly.<sup>4/</sup>

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<sup>3/</sup> See 47 U.S.C. §309(j)(14)(B)(iii).

<sup>4/</sup> See Thomas Hazlett, “Finally Something Good on German TV” (October 7, 2003). In August 2003, Berlin, with 1.8 million TV households went all-digital. The 160,000 non-subscribers had to choose between cable and satellite, or they had to purchase a \$100 set-top converter box. Families eligible for welfare and not subscribing to cable or satellite were offered vouchers, and about 6,000 vouchers were awarded. Thus, “[f]or a government expenditure of about \$500,000, the entire Berlin market ditched analog television, cold turkey.” Id. The Berlin TV market is approximately the size of our Tampa-St. Petersburg ADI (ranked #13); see BIA TV Market Report 2004. Even if vouchers in that market were to cost ten times their cost in Berlin, the savings in the form of earlier-received wireless auction revenue would pay the total voucher program cost many times over. Hazlett estimated that the entire cost of such vouchers in the U.S. would be about \$50 million, “while many billions of dollars would be generated in the auction of licenses to use the 50-plus channels liberated for advanced wireless services.” Id.

The Public Notice asks whether the government should subsidize consumers' purchases of converter boxes through vouchers, tax credits or tax refunds, or whether the government itself should procure and distribute DTV equipment. Id. at 3.

A voucher program would be far preferable to government sales of consumer goods. Vouchers would place in the hands of the consumer the ability to shop for and choose the right equipment. When consumers are empowered to render purchasing decisions, they base their choices on attributes the government cannot easily offer: competitive prices; convenience of retailers' locations; brand awareness and credibility; retailers' reputations for fair service and for assistance with installation and repair; retailers' and manufacturers' domestic and international labor practices and community involvement. By enabling consumers to make purchasing decisions, vouchers would promote consumer independence, self-respect and dignity. Compared to a government vending program, vouchers would generate a greater volume of commerce and consumer satisfaction with the products purchased.

For three reasons, vouchers would also be preferable to a tax-based program:

First, vouchers are uncomplicated and are already familiar to low-income families. Consumers at any income level are unlikely to be as familiar with the intricacies of the tax code.

Second, vouchers would deliver more net value to consumers than tax credits or refunds. A voucher is used concurrently with the purchase of an item. Thus, unlike a tax credit or refund, a voucher does not require a consumer to essentially loan money to the government at zero interest. Indeed, many low-income families do not earn enough to file tax returns at all. A consumer's marginal cost for the expert taxpayer assistance required just to claim a converter box tax credit or refund would defer the realization and diminish the net value of these benefits.

Third, vouchers are unlikely to be plagued by abuse.<sup>5/</sup> On the other hand, a tax credit or refund would be particularly susceptible to abuse, because the only means of accountability

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<sup>5/</sup> A model for achievement of this objective is the recent transition of the Food Stamp Program from paper coupons to electronic benefits and debit cards. Some states are using debit cards for Medicaid and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). This technology increases efficiency, reduces fraud and abuse, and expedites payments to retailers. See New York Times News Service, "Paper Food Stamps are Replaced with Electronic Benefits and Debit Cards," June 23, 2004.

would be an easily counterfeited receipt for the purchase of a consumer good. On a cost-benefit basis, it would not be worth the IRS' time to track down this kind of abuse case by case.

We recommend that vouchers be available not only for converter boxes, but also to partly subsidize the cost of DTV sets and multi-channel video. In this way, the voucher program would not unintentionally contribute to a two-tier system of television signal delivery, in which multi-channel video is for the wealthy and middle class, and minimal service is for the poor. The wider inclusion of low-income families in the world of multi-channel video would also enhance the likelihood that new multicultural program channels will find their entire audiences and thus secure financial viability.

Above all, we urge the Commission to insist that analog spectrum reclamation must not occur without a viable and fair plan to retain low-income families in the television universe. All too often in communications policymaking, the poor have been overlooked. That must not happen here. Under no circumstances should the nation complete the DTV conversion process without a subsidy to ensure low-income families' continued inclusion in our electronic commons. A well-conceived voucher plan is vital to the preservation of our system of universal television service, which has served the public well for two generations.

Respectfully submitted,

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