

addresses underserved needs in a way that significantly differentiates its services from what is already available in the proposed service area (*see* § 2301.4(b)(ii)(b) of the PTFP Final Rules). In order to extend its resources to assist in signal expansion, NTIA will usually fund Priority 4A additional signal projects at no more than a 50% Federal share. This is due both to the lower priority and reduced ineligible costs of Priority 4A repeater/translator projects which build upon existing infrastructure. Applicants for Priority 4A expansion projects, including those for new fully-staffed facilities, may seek a higher Federal percentage by submitting justification for the increased amount which will be reviewed by PTFP and the peer reviewers.

All new service applications. An applicant proposing to construct a Priority 1A, 1B or Priority 4A facility should provide documentation, including maps or tables, of the number and geographical location of persons who would receive a first public radio signal as a result of the proposed project or who would receive a duplicated public radio signal as a result of the proposed project (*see* § 2301.4(b)(1)(v) of the PTFP Final Rules).

NTIA will permit those applicants whose FY 2002 applications for new service projects were negotiated by PTFP, but were deferred from funding because of the lack of FCC authorizations, to submit FY 2003 applications requesting the same Federal percentage as their FY 2002 applications.

(B) Radio Station Conversion to Digital Transmission

NTIA encourages the use of digital technologies for public radio facilities. For several years, NTIA has funded projects for digital STLs and audio production equipment which will assist public radio stations as they prepare for conversion to digital technologies. These digital projects are funded as equipment replacement, improvement, or augmentation projects with the presumption of a 50% Federal share unless a showing of extraordinary need for a higher percentage has been made pursuant to § 2301.6(b)(ii) of the PTFP Rules. NTIA will continue to support digital non-transmission equipment for radio as it has been doing for more than a decade.

Digital conversion projects. On October 10, 2002, the FCC approved digital transmission for radio stations, although it has not yet published regulations for such stations. Unlike the digital conversion of television stations, the FCC has not established a deadline

for the conversion of radio stations. In addition, there is the question of when receivers will be generally available for purchase by the public. These factors raise the issue of whether projects whose primary purpose is to begin digital radio broadcasts present compelling urgency for funding in the FY 2003 grant round.

NTIA continues to examine with interest the development of digital radio, but shares many of the concerns which were recently expressed by the Digital Radio & Television Consultation Panels established by the Corporation for Public Broadcasting (CPB). In their joint recommendations, the Panels recommended that CPB set aside \$3.5 million for conversion of public radio stations in 13 seed markets identified by Ibbiquity, the developer of the digital radio standard. (The seed markets are Atlanta, Boston, Chicago, Dallas, Denver, Detroit, Las Vegas, Los Angeles, Miami, New York, San Francisco, Seattle, and Washington, DC.) Public radio stations serving these thirteen communities collectively provide service to more than 30% of public radio's total national audience.

On August 30, 2002, even before the FCC's October action, the CPB board of directors adopted the Panels recommendations.

The CPB Panels indicated that digital conversion of the stations in the seed markets would provide public radio with an opportunity to assess the risks and benefits of further digital deployment. Conversion of the stations, the joint panel report states, would provide "knowledge that would help stations develop a realistic timetable and plan for digital conversion in the rest of the country."

NTIA believes that the digital conversion of public radio stations in these markets is a reasonable way to begin the orderly transition to digital radio broadcasting. We urge stations in these thirteen markets to consider the funding opportunities presented by the Corporation for Public Broadcasting.

Applications for digital transmission equipment for public radio facilities to convert to digital broadcasting are eligible for PTFP funding although, for the reasons discussed above, we do not believe these applications will demonstrate compelling urgency during the FY 2003 grant round. As with applications for television digital conversion projects, PTFP will place radio applications requesting funds to convert to digital broadcasting in the Broadcast Other category. The presumption of funding for radio projects in the Broadcast Other category is a 50% Federal share.

Digital replacement transmitters. Regarding FY 2003 applications for replacement equipment, NTIA anticipates that it will fund digital-compatible transmitters as analog transmitter replacements, if requested by applicants and justified as urgent replacement of radio transmission equipment. Transmitter replacement applications will be placed in Priority 2 or Priority 4A, as appropriate, depending on whether the applicant provides the only public radio signal to an area (*see* §§ 2301.4(b)(2) and (4)). Reflecting many of the concerns regarding risks and benefits expressed by CPB's Digital Radio and Television Consultation Panel, NTIA believes that FY 2003 is the beginning of a transition period for public radio. PTFP does not anticipate directly funding digital transmitters with HD Radio (IBOC) exciter during the FY 2003 grant cycle. Grant recipients will, however, be able to add IBOC exciters to PTFP-funded digital-compatible transmitters. PTFP grant recipients can use the funds authorized for an analog or digital-compatible radio transmitter towards the purchase of a transmitter with an IBOC exciter. For FY 2003 awards, the maximum amount that PTFP will accept in the final cost of a project which includes an IBOC transmitter/exciter will be limited to the amount initially approved for the analog or digital-compatible transmitter. Any cost for the IBOC transmitter/exciter above the amount initially approved for the analog or digital-compatible transmitter will be the responsibility of the grantee. NTIA reminds potential applicants that licensing fees, including licensing fees related to the use of HD Radio technology, are not eligible for PTFP funds.

(C) Internet Streaming

Given the limited availability of funds, NTIA has emphasized support of basic equipment required for a public broadcast station to serve its local audience (*see* the Final Rules, § 2301.4, *passim*). NTIA continues to receive more activation and replacement applications than it can fund in any cycle. NTIA has received one or two applications for equipment to provide Internet streaming in each of the past several grant rounds. The applications have not been favorably evaluated by the outside peer reviewers or the national advisory panels.

NTIA has determined that streaming on the Internet goes beyond the provision of a basic local public broadcasting service. Until Internet streaming becomes a basic part of a station's service to its own community,