

**STATEMENT OF:
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**BEFORE THE FEDERAL COMMUNICATIONS
COMMISSION
FEBRUARY 10, 2006 OPEN MEETING
KELLER, TEXAS**

Good morning. Thank you, Chairman Martin and Commissioners Copps, Adelstein and Tate for offering me the opportunity to speak with you today. My name is Lea Ann Champion, Senior Executive Vice President – IP Operations and Services for AT&T. Welcome to Texas.

I know it is not often that the full Federal Communications Commission picks up and leaves the confines of the Beltway. We are especially honored that you chose to come here to Texas. Given the topic of this month's Open Meeting – Video Competition – this is a great place for the FCC to visit.

Last year, the Texas legislature passed a bill that encouraged investment in broadband and allowed video competition to emerge. The Texas legislation is proof that all parties can work together to ultimately accomplish an

important goal of policymakers and the subject of today's FCC meeting: **more video choice for consumers**. If there is one takeaway from today's meeting, it is that Texas's accomplishments can be replicated elsewhere.

Texas applied the principles that the FCC has a long-standing tradition in promoting: customer choice and investment in broadband networks. The state bill eliminated the entry barriers – such as build-out mandates and prolonged city-by-city negotiation process – to invite investment and competitors. But, it also protected and advanced the legitimate local interests of cities – items that AT&T supports: continuing to provide cities revenue from video service, offering community access programming (known as PEG), and confirming cities' continued authority over rights-of-way management.

As a result of the legislation, companies like AT&T are able to invest without delay in Texas. In fact, we committed to invest \$800 million in broadband here. That includes our Project Lightspeed investment, DSL broadband service to all of the company's 535 central offices and an additional 228 "neighborhood gateways," bringing broadband service to dozens of additional communities throughout the state. These building

blocks of investment allow AT&T to expand the reach of our broadband offerings to customers.

Today, Texas consumers are beginning to see the real fruits of that investment – a different kind of video experience than the cable companies provide. We recently started a controlled market entry in San Antonio of our AT&T U-verse services. Verizon and other providers are now offering their video service across the state. And Texas consumers have begun to see that competition in video means better services and more competitive prices for consumers.

This year, the FCC has the opportunity to do for consumers across the country what the legislation here has done. I understand the FCC has an open proceeding to examine the local franchise process and AT&T looks forward to filing its comments in that proceeding. I urge the Commission to remove entry barriers to investment and ensure that the same choice available for Texans is available throughout our country.

But the global economy in which we live requires national policy. And,

the United States has consistently lagged behind other countries in broadband infrastructure. Recently, a Cisco executive was quoted as saying that while he believes IPTV is coming soon he “think[s] the leaders will be Japan, Korea, and some parts of Western Europe.”

Therefore, all of us in government and business have a responsibility and the opportunity to keep America the technology leader. The Commission has an opportunity to establish national policy that promotes investment in broadband networks - and bring video choice for consumers. And with a clear path forward, we stand ready to invest and bring customers more choice.

Through Project Lightspeed alone, we are planning to make an initial investment of billions of dollars in the next three years in our network, operations, customer care, and IT infrastructure. Working with companies such as Alcatel, Microsoft, and Scientific-Atlanta, we are deploying a two-way, interactive, switched IP video network and extending approximately 40,000 miles of new fiber optics to reach 18 million households in the next three years – reaching more customers faster than any other company with a fiber deployment plan in the United States.

Today, we're offering high-speed Internet access and AT&T U-versesm TV, which features more than 200 channels, a robust and easy-to-access video-on-demand library, fast channel changes and picture-in-picture browsing. And, over the course of this year and beyond, we are planning to enter more markets and to give customers unprecedented control over the way they watch TV, surf the Web and use other broadband applications. For example:

- We plan to allow customers to access personalized content on their TV screens, such as their favorite sports, weather and stock information.
- We will offer a whole-home DVR – digital video recorder, which allows customers to pause and record live TV on any TV in the home, as well as the ability to watch their recorded programs in any room.
- We plan to allow customers to remotely access and program services. For example, customers may be able to program their DVR from their Cingular phone or a Web page.

I could go on and on about the capabilities that an all-IP network allows us to provide, but my point is this: from day one we have a differentiated video

service for our customers and going forward its IP functionality will allow us to provide our customers even greater integration, customization and interactivity.

We are eager to bring new video offers to our customers. That's why we are creating another integrated solution called AT&T Homezonesm, which will be available to all of our DSL capable customers. Through a joint venture with 2Wire, we are integrating satellite video with our high-speed Internet access service through a combination set-top box, available to a majority of our customers later this year.

The service will allow various capabilities to work together. AT&T's Homezone will combine satellite TV programming, high-definition, DVR, Caller ID on the TV, movies-on-demand, photo-sharing and music.

Customers will also be able to log onto their AT&T Homezone receiver remotely, through a Web browser or wireless phone, to schedule DVR recordings, start movie downloads, and enjoy music and photo collections.

In addition, we plan to continue offering satellite TV to customers via AT&T | DISH. With these three offerings, AT&T provides video choice to its customers throughout our territory.

To summarize, with our Project Lightspeed initiative, we plan to put billions of dollars of private investment at risk to bring customers video choice. We were able to move forward with more confidence in Texas due to the clarity provided in streamlining the franchise process and removing the barriers to investment. We need your help to clear those barriers elsewhere so we can make these investments without delay throughout our territory.

AT&T will be a new entrant in the video space, providing a competitive alternative to incumbent cable operators – and we intend to move quickly. Public policy should encourage new entry into the video services market by reducing roadblocks and unnecessary rules. We urge the Commission to establish national policy to promote new broadband investment and deployment. Removing the barriers to investment to enable video competition would be consistent with the broadband policies this Commission has traditionally endorsed. And consumers will benefit from innovation and choice.

Again, thank you for the opportunity to be here today. I would be happy to answer any questions you have.