

**STATEMENT OF: GAIL F. TORREANO**

**PRESIDENT – AT&T MICHIGAN**

**BEFORE:**

**UNITED STATES HOUSE OF REPRESENTATIVES  
SUBCOMMITTEE ON TELECOMMUNICATIONS AND THE INTERNET**

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My name is Gail Torreano, President of AT&T Michigan. Among other things, I am responsible for AT&T's community and government affairs in Michigan. In that role, I am familiar with the Public, Educational and Governmental (PEG) programming made available in connection with AT&T's U-verse TV product, as well as our extensive efforts to incorporate feedback from communities into our evolving PEG capabilities.

AT&T's approach to PEG programming is driven by a commitment to carry the programming in any community we serve that seeks carriage; an insistence that our PEG capabilities reflect what our customers have come to expect from our competitors; and a continuing effort to enhance the product as technology and customer demand evolve. With these principles in mind, AT&T is proud of the PEG product that it has deployed; it is robust, distinctive and of high quality.

In this statement, I will outline the basic contours of AT&T's U-verse TV deployment; describe the particular characteristics of the PEG capabilities available with U-verse TV; summarize our beneficial efforts in Michigan and elsewhere to obtain critical feedback from our local communities regarding our PEG product; and, in the process, address some of the concerns that have been raised regarding the unique characteristics of our PEG service.

## **AT&T's IP Video Deployment**

AT&T is investing over \$5 billion by mid-2008 to upgrade its telecommunications network and bring fiber closer to AT&T customers' homes. More fiber in the ground, closer to customers, will make it possible for AT&T to provide a groundbreaking suite of Internet Protocol (IP)-based services over its existing network. These services will include broadband Internet access, IP telephony (VoIP), and AT&T's IP-based TV (IPTV) service called AT&T U-verse TV.

AT&T's U-verse effort represents the largest rollout of IPTV technology to date in the world, and the features, functions and competitive impacts of U-verse TV will prove to be equally unprecedented. Using a client-server delivery model, and next-generation compression and modem technology developed specifically for U-verse, AT&T will deliver hundreds of television channels (dozens of them in high definition) to consumers over a largely copper-wire network originally designed to carry traditional telephony service. The possibilities presented by this breakthrough achievement are enormous, and U-verse TV at its current stage of development has only begun to realize its full potential.

AT&T began its commercial offering of U-verse TV in late 2006. As of the end of 2007, after just one year of service, AT&T already had signed up 231,000 customers – up from 126,000 customers just three months earlier. As of January 24 of this year, AT&T had deployed the U-verse technology to 7.9 million living units. Our target is to be able to make the service available to 30 million living units in our local service territory by the end of 2010. In short, U-verse TV is a competitive game-changer; it

brings fresh, innovative IP-based services to consumers thirsty for choice for their video services.

### **The U-verse PEG Experience**

AT&T's PEG offering benefits directly from the new communications and broadband technology that enables the U-verse suite of services. It operates as an application that integrates content obtained via a secure IP-based connection, for example a “stream” of live community video, and delivers that content to the end user’s television via the U-verse set top box (STB). Most importantly, U-verse unifies the full range of PEG programming in a given Designated Market Area (DMA) at a single, easy-to-find location. And, PEG programming is available – at no additional cost – in connection with *any* U-verse TV package.

AT&T has designated Channel 99 as the location on its U-verse channel guide dedicated exclusively to PEG programming. The choice of Channel 99 was deliberate, as it is a prime location. It bridges the local station line up with the national channel line up, which begins at Channel 100. That is, customers find PEG programming before reaching the multitude of national broadcast stations.

At the PEG channel, a customer sees an alphabetical listing of all the cities with PEG programming available in her DMA. Once she selects a city from that menu, she can then choose from a list of programming available for that city. Moreover, while watching, she can choose to display a navigational bar on screen to select different PEG programming made available within that city. This allows a seamless change from one PEG program to another. Alternatively, she can choose to “hide” the navigational bar and watch full-screen PEG programming.

AT&T's method for PEG carriage has several inherent benefits. First, PEG programs are available to much larger audiences because distribution is not limited to town borders. Unlike most typical cable customers, U-verse subscribers will be able to keep track of events in surrounding communities, where they might work or attend school, or where family members and friends live. If, for instance, the City of Livonia has produced premier educational programs, residents in, say, Royal Oak will be able to enjoy them. Or, a Dearborn resident who owns a small business in Southgate will be able to watch a zoning commission hearing in that neighboring community from the comfort of his home. Second, the new service brings programming from multiple municipalities in a DMA together in an easy-to-remember channel location. Among other things, this ensures a consistent, predictable experience across the U-verse platform; all U-verse customers will know exactly where to go for the available PEG programming in their area. Third, AT&T's PEG product potentially enables cities, at marginal cost, to provide PEG content over the web because all of the city's PEG content will be in the digital form widely used for delivery over the public Internet. Thus, if a city chooses to do so, it can present digitized PEG content on its municipal web site so that anyone (anywhere) with access to the public Internet can view it. Use of this technology will empower cities by enabling more viewers more flexibly to access their PEG in a manner that suits their interests and schedules.

### **Coordination with Communities**

AT&T launched its first PEG market in July 2007. As of today, we have the product operational in 14 cities with over 40 PEG channels. In doing so, we have remained sensitive to the reactions and observations of our local community partners.

Among other things, AT&T established various demonstration locations where cities could experience AT&T's PEG product on the U-verse system and provide their suggestions, reactions and concerns regarding the product.

In Michigan, in particular, AT&T has gone to great lengths to involve local communities in the process of enhancing our PEG capabilities. Our implementation team has conducted technical meetings with 39 of the 45 communities that have made requests for carriage of PEG programming, and has conducted similar meetings with numerous other cities that have merely requested information about PEG. In addition, AT&T has conducted scores of demonstrations of U-verse TV and the PEG product with other stakeholders, including legislators, Public Service Commission and Attorney General staff, and representatives from various municipalities.

This concerted effort to involve local government and other officials in the development of our product has born fruit and been translated into actual modifications to the PEG offering. Just by way of example, in response to municipal suggestions, AT&T added a PEG menu tab on the U-verse main menu. In addition to accessing PEG at Channel 99, an end user can access the PEG channel from the main Electronic Program Guide menu screen by selecting "Local Public Education and Government." No other channel on AT&T's system has this capability. Additionally, AT&T's PEG product will now remember the customer's last programming selection, making it even easier for the customer to jump to her favorite PEG content.

### **Different is Better**

AT&T acknowledges that not all local communities are comfortable with some of the more original attributes of the U-verse PEG offering. In particular, some

communities have voiced concerns about the placement of all PEG programming at a single channel, requiring in some cases an additional step of choosing among a menu of community programming.

This is a difference as compared to more traditional PEG products offered by incumbent cable operators, but it is a difference that clearly benefits our customers and the communities in which they live. With U-verse, the customer can access from a single, easy-to-remember channel (or a dedicated tab on the U-verse main menu), all PEG programming that communities in the relevant DMA have asked to be carried on AT&T's system. This is a significant benefit for customers who live and work in neighboring communities and therefore have an equal interest in government or school activities in multiple locations, who wish to keep track of community events where their family and friends live, or who want simply to monitor happenings in surrounding communities. Thus, AT&T has expanded exponentially the PEG viewing choices of its customers and, in turn, offered local communities and PEG programmers a much larger audience for their broadcasts.

Moreover, by placing PEG content on a common channel across AT&T's network AT&T can better promote Channel 99 nationally so that customers will know, wherever they live, that they can find important community information on Channel 99. Indeed, AT&T has already assembled a comprehensive promotional campaign to notify AT&T subscribers that PEG content will be found on Channel 99. AT&T will promote Channel 99 *on the air* on Buzz Channel 300 and the Help Channel (Channel 411) on the U-verse Service; *online* through the U-connect web site ([uverse.att.com/uconnect](http://uverse.att.com/uconnect)) and the U-talk

discussion board ([utalk.att.com](http://utalk.att.com)); and *in print* through promotional flyers and AT&T U-guide updates.

In sum, the very technology that will allow AT&T to alter the competitive landscape for video services in general will likewise usher a new era of community programming.