



**Testimony Before
The Pennsylvania Senate Communications and Technology Committee
Wednesday February 13, 2013**

**Presented by:
David Kerr
Regional Vice President, External Affairs, AT&T**

Chairman Vulakovich, Chairman Farnese and members of the committee:

Thank you for the opportunity to join you today. My name is David Kerr, and I am Regional Vice President for External Affairs for AT&T-Pennsylvania. AT&T has a proud heritage in Pennsylvania dating back more than 130 years to Alexander Graham Bell's invention of the telephone and the founding of the company that became AT&T. While much has changed in the past century, one thing remains constant: our commitment to serving our customers and employees and the places they live, work, and play.

AT&T in Pennsylvania

Each year we make significant investments in our communications networks to deliver the newest technology to meet the evolving needs of modern consumers and businesses. These investments improve service to our customers in communities all over Pennsylvania and contribute to the Commonwealth's economy and prospects for continued growth.

It takes significant financial commitment and a large, skilled workforce to construct and service modern networks. AT&T employs more than 2,700 Pennsylvanians who build our networks, serve our customers, and support Pennsylvania's growth and competitiveness. In addition to active employees, AT&T has more than 3,600 retirees living in Pennsylvania. Our payroll represents more than \$205 million, and our operations generated more than \$323 million in taxes statewide. We also operate 102 company-owned retail locations in the state, and we have thousands of shareholders with a stake in the company.

We are a global company and one of the largest in the United States, but the work we do has real, positive impacts on businesses throughout our state. AT&T spent more than \$914 million on goods and services purchased from suppliers based in Pennsylvania in 2011 – spending that supports jobs and economic activity in Pennsylvania.

We believe in our work and are proud if it helps Pennsylvania thrive. We also believe a company must do more than inhabit a community, so we give back through a number of programs.

AT&T Aspire is AT&T's signature philanthropic effort focusing on high school success and workforce readiness in Pennsylvania and across the country.

This approximately \$350 million initiative is among the largest-ever corporate educational initiatives in the U.S. Talented and diverse workers are vital to our communities, our company and the U.S. economy, and together we need to help more students graduate from high school ready for careers and college to help ensure the country is better prepared to meet global competition.

In Pennsylvania, we've supported many organizations that share our commitment, including Chester County Futures, the Netter Center at the University of Pennsylvania, Communities In Schools, Girl Scouts of Eastern Pennsylvania, the United Way in York, and others.

We also teamed up with Junior Achievement to provide job-shadowing opportunities to students around Pennsylvania, giving them a first-hand look of some of the skills they will need on the job.

Our Industry

The telecommunications industry is evolving rapidly. Not long ago, the primary means of communications was basic telephone service. Today, Pennsylvanians are connected to each other and their world in myriad ways – from smartphones and tablets that connect users to new applications and features everywhere they go, to interactive healthcare telepresence services to technology that allow patients to be diagnosed by their doctors from almost anywhere, anytime.

Today, 14 million connected devices run on our network. They are ubiquitous and integral to daily life. And, these aren't just the smart phones or tablets that you normally think about. Many things

are connected wirelessly, and more will be in the future: IP-assisted cars that reduce gas consumption and emissions to maximize safety and energy efficiency, dog collars, home monitoring systems, and “smart” pill bottle caps that remind us to take our daily medications, just to name a few. Data is what primarily travels our network, not voice calls.

In the last four years, as customers began to truly discover what mobile broadband connections offered, our data traffic increased 30,000 percent. Imagine a comparable expansion in the number of vehicles on the Turnpike, the Parkway in Pittsburgh or the Schuylkill. Talk about gridlock.

To meet customer demand, our company and our competitors are investing heavily in Pennsylvania. From 2009 through the first half of 2012, AT&T alone invested around \$1.1 billion in our wireless and wireline networks in Pennsylvania, with a focus on improving our mobile broadband coverage and overall performance of our networks. Our investments further strengthen services to our customers and boost our – and Pennsylvania’s -- competitiveness.

Policies Impacting Communications and Technology

Government policy and regulation at the federal, state and local levels dramatically affects the state of the telecommunications industry and the consumers those companies serve. Policy decisions directly affect how consumers use communications technology and the quality of service they receive.

One of the biggest issues impacting the wireless industry is access to and availability of spectrum. This, of course, is primarily a federal issue but a critical one I want to mention. Spectrum is the invisible airwaves that carry wireless signals from one place to another, connecting cell phones, tablets, laptops and wireless devices to each other and carrying voice calls, text messages and Internet data to your wireless device. The FCC and the U.S. Department of Commerce are working to free additional spectrum to auction off to wireless companies. The wireless industry has spent - and will continue to spend - billions to gain access to spectrum. It is critical that the government make more spectrum available so companies can deploy it quickly to meet the needs of consumers.

It's no secret that digital communications are transforming our world. Increasingly, whether we want to get in touch with a friend, keep up with the news, do research, manage our finances, shop, watch a film, or listen to music, we use mobile broadband.

Consider this: more than one-third of Americans have completely cut the cord – relying exclusively on mobile phones when they want to make a call or otherwise stay connected. In the states where we provide local phone service, only 25 percent of American homes are still connected to the traditional landline phone networks. Technology, consumer preferences and the platforms on which we communicate have shifted beneath our feet, and we are all moving toward a broadband world. Given these changes, service providers of all kinds must keep pace with the changes in the marketplace.

Private investment in next generation broadband networks will be key to bringing the benefits of broadband services and applications to all Americans, whether they live in the city, the suburbs or in rural communities. And fulfilling this vision will require smart policies that create a level playing field and provide the appropriate incentives for network expansion and upgrades. Put differently, we need a 21st Century policy framework for 21st Century networks.

Our company and nearly everyone else in the industry are moving toward modern wired and wireless broadband networks and away from antiquated TDM-based wired telephone networks. This movement to upgraded, modern and efficient Internet Protocol (IP)-based networks networks is referred to as the “IP Transition,” and the industry and its regulators are grappling with how to accelerate this transition in order to meet consumer demand, foster innovation, and continue to drive economic growth, job creation, and global competitiveness while providing Pennsylvanians more choices in TV, Internet, and phone service.

Pennsylvanians have enthusiastically embraced both wireless and broadband IP-based services and companies are investing billions to deliver the products their customers are demanding.

For example, last November, AT&T announced a three-year additional \$14 billion capital investment plan – Project VIP or Velocity IP – to significantly expand and enhance our wireless and

wireline IP broadband networks. That additional \$14 billion is part of a total national capital investment plan over the next three years of \$66 billion.

To put this investment in context, consider this: movie ticket sales hit an all-time high in 2012 of \$10.8 billion. Over the next three years alone, AT&T plans to invest more than twice that amount *each* year. And we are only one player in this space. Government policy needs to create incentives to bring about this transition from outdated to modern networks and to address how we handle the legacy networks moving forward.

The last area I want to address is local regulation. AT&T appreciates this committee's work in the passage of Act 191 of 2012, the Wireless Broadband Collocation Act. This act will facilitate the continued deployment of infrastructure necessary to offer wireless broadband. We are working with local governing bodies throughout Pennsylvania to understand the law and assist in implementation of it. We appreciate their collaboration. We need to continue to develop policies and practices that streamline the approval process for new wireless sites in order to keep pace with continued rising demand.

Government plays a pivotal role in helping Pennsylvanians transition forward and adopt new technologies— whether leading the path forward from analog to digital TV, or setting in motion the transition from analog to digital wireless communications. We are committed to working with you on policies that will remove obstacles to economic growth and job creation; innovation; and a brighter future for our Commonwealth and our citizens. We encourage policymakers to continue to expedite smart policies for smart networks – and policies that will keep Pennsylvania's telecommunications infrastructure strong and our state competitive.