

**AT&T Testimony Informational Hearing
Broadband Deployment in Urban Areas
Assembly Utilities and Commerce Committee
3/11/2013
Bill Devine, Vice President of Legislative Affairs**

Mr. Chairman and members of the committee, I'm Bill Devine from AT&T - Thank you for the opportunity to testify today.

AT&T believes that access to technology is critical in today's society. We are one of the many companies investing in Broadband networks in California.

We commend Chairman Bradford and members of the committee for convening this informational hearing to discuss Internet use and access in California communities.

I'd like to start my comments today with some important statistics and trends regarding technology use – particularly in low-income and diverse populations.

PEW RESEARCH

The PEW Research Center undertook its Internet and American Life Project in 2000.

In a report published last year, it acknowledged that in 2000, there were stark differences between those who were using the Internet and those who were not.

Ten years later, the picture is extremely encouraging and continuing to improve.

In the most recent data from the PEW research, in 2011 78% of adults and 95% of teenagers were going on line – and that trajectory continues in 2012 and 2013.

Growth in broadband adoption among African Americans and Latinos jumped well above the national average.

The percent of African American adults who used the Internet jumped from 35% in 2000 to 71% in 2012 and for Latinos it went from 40 to 68%. However, the rate is in the mid-90 percentile for the 18-29 age group.

And the ways in which people connect to the Internet are also much more varied today. The rise in consumer demand and use of mobile broadband access is significant.

Groups that have traditionally been lagging in Internet adoption are using wireless connections to go online.

Per the Pew report, young adults, diverse populations, those with no college experience and those with lower household income levels are likely to use their mobile device as their source for Internet access.

MOBILIZATION

Much of these advances in Internet adoption have been fueled by one technological revolution

Mobilization.

Between the mid-80s and 2000 – over a 15 year period, we mobilized voice. And the wireless network traffic in our country grew dramatically.

It was an impressive climb, but the true explosion came next.

Starting around 2000, mobile email and text messaging became mainstream.

And over 6 years ... from 2001 to 2006 ...mobile data traffic in the U.S. grew 75,000%.

Then, 6 years ago we launched the iPhone. A year later that device went 3G.

All of a sudden, mobile data soared.

This has become the era of the smartphone.

And over the past 6 years, mobile data traffic on our network increased another 30,000%.

And it wasn't just traffic ... the entire ecosystem has caught fire.

For example, the first successful personal computer was introduced in 1977. It took 31 years – until 2008 before there were 1 billion PCs sold globally.

But, it only took five years for the worldwide sales of smartphone to hit 1 billion.

And, it's been widely reported that tablet sales will exceed PC sales for the first time ever in 2013.

Investments and innovation in the network has been just as dramatic.

We've gone from 2G to 3G to HSPA to 4G LTE in just 5 years leading to better access and faster speeds and the ability to access Internet content and capabilities from anywhere.

As FCC Chairman Julius Genachowski pointed out in his recent op-ed in the Wall Street Journal, America leads the world in deployment of 4G LTE, mobile's next generation, and there are as many 4G subscribers in the U.S. as in the rest of the world combined.

Private investment in mobile infrastructure—nearly \$30 billion last year and nearly \$35 billion projected this year—is more than 50% higher than in Europe. The investment in the U.S. is up more than 60% since 2009.

American-made operating systems now power more than 90% of the world's smartphones sold, up from 25% four years ago.

Why is this relevant and important to our discussion today?

It demonstrates what consumers – from all economic backgrounds - are using and demanding.

It's hard to believe that the iPhone – the device that began the smartphone revolution - has only been in the market for six years. But most of us can hardly remember a world before you could have access to the Internet and all that comes with it - in your pocket - instantly available.

As I mentioned earlier, many customers have cut the cord and are relying on their mobile service for all of their communications needs

including Internet access. This trend is even more prevalent among many urban households. 37.7% of African Americans, 46.5% of Latinos and 33.4% of Asians are wireless only households.

The accessibility, affordability and very mobility of wireless broadband is providing the gateway, ease of use and technological simplicity to accelerate Internet adoption in all communities.

And with consumer demand and innovation driving the marketplace, smartphones have become personal “Mi-Fi” connections that can connect computers, tablets and other devices to the Internet providing even greater flexibility and options and allowing families to share the Internet connectivity easily.

Consumer demand and consumer behavior is moving at the speed of innovation. And urban communities are a part of that trend.

Today, there are more choices and purchasing options including subsidized devices, pay as you go prepaid plans, full price devices to allow choice of providers, as well as low-cost tablets and net books providing an affordable means to connect.

AT&T offers several Internet services in California on the wired side – DSL and AT&T U-Verse Broadband and AT&T Mobile Broadband.

AT&T invested more than seven billion dollars in California from 2010 through 2012 on expanding its mobile and Internet coverage.

Late last year, the company announced an additional investment of 14 billion dollars over the next three years – which is over and above the approximately 20 billion on average we’ve spent the last few years to extending and upgrading our mobile and broadband services. California has and will continue to be a major recipient of AT&T’s investment.

PHILANTHROPY

And, we have committed millions more to philanthropic programs through our Aspire initiative that focuses on low-income and urban communities to promote educational success, including the use of technology to ensure all communities are taking advantage of this digital age.

As you are aware, we have contributed to and participated in a number of programs in Los Angeles and around California, partnering with non-profit organizations that are working to increase Internet adoption and computer literacy in low-income housing, neighborhood community centers and dedicated school programs.

The California Emerging Technology Fund – CETF – was established with a 45 million dollar contribution from AT&T as part of the SBC – AT&T merger.

And as part of our DIVCA commitment, we are providing free U-Verse service to community centers throughout our DIVCA footprint.

POLICY

Providing access to the Internet for all Californians is a goal we all share.

So the question is: What are the critical elements to make this happen?

It's very important that we – both the industry and policymakers take the initiative to facilitate and further accelerate the pace of innovation.

Innovation no longer happens just in our own labs ... it happens everywhere, constantly. And this committee can act as the catalyst for

innovative policies that support the investment needed to keep up with consumer demand.

There's no industry that contributes to society and economic growth quite like this one.

And, I believe California can lead the way and has the incentive and ability to articulate a vision for the future that focuses on the benefits of technology for economic growth and consumer benefit.

So the challenge ... for policy makers and for companies ... is to get the critical components right for the years ahead. Those components include:

Spectrum policy – which is being addressed at the Federal Level.

Here in California, we need regulatory policies that are forward looking and view regulation through the lens of this incredible technology and the speed of innovation.

This includes the right policies that promote capital investment and that are in sync with the long-term nature of network investments.

If we get these things right, the next 5 years will be remarkable for California's economy and California consumers.

Thank you for your attention.

####