

**Statement of John T. Stankey
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**United States Senate Committee on Commerce, Science, and Technology
Hearing: “At a Tipping Point: Consumer Choice, Consolidation and the Future Video
Marketplace”**

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Thank you, Chairman Rockefeller, Ranking Member Thune, and Members of the Committee.

I am John Stankey, Group President and Chief Strategy Officer of AT&T, and I appreciate this opportunity to address the state of video competition and the benefits that competition is bringing to consumers.

Video competition today is strong and dynamic. Competition is increasing sharply as both incumbent and new providers find new ways to satisfy video demand and to deliver a multitude of new services that benefit consumers in ways we could barely imagine five or ten years ago.

This increased competition is being driven by broadband advances and investments. National wireless broadband networks can now deliver video quickly and efficiently. Advanced wireline connections to the home have more capacity and are becoming more widely available. As a result, it has never been easier for consumers to find the video programming they want to watch, when and how they want to watch it. Traditional video services are increasingly integrated with broadband offerings that give consumers access to the full range of these interactive and next generation services.

AT&T is proud to be at the center of these competitive developments. We remain a company focused on wireless and wireline broadband services, and on ensuring that consumers can use those networks to reach each other and access the full scope of video and information sources that are becoming available to them. We are confident that we are seeing only the beginning of the consumer benefits emerging from this new and increasingly competitive environment, and we look forward to driving it forward through new and expanded networks and services.

Technology and Consumer Demand Is Evolving

Not so long ago, consumers watched video almost exclusively on a television set, using over-the-air broadcast, traditional point-to-multipoint delivery systems like cable or satellite, and packaged products like DVDs. Now, consumers are increasingly using advanced wireless and wireline broadband networks to reach video providers. Consumers are watching video on their smartphones, tablets, and computers as well as televisions. They watch a broader variety of programming, including the many short, long, and interactive forms of programming the Internet enables. New, high-definition programming and devices, supported by even higher-capacity broadband networks, will create a new level of customer experience.

With this change in technology, consumer demand is changing. Consumers increasingly expect to be able to watch video when they want, where they want, and on whatever device they want. They want access to interactive, crowd-sourced, short-form, and traditional long-form services. And consumers are increasingly making clear that if service providers cannot provide their video of choice, they will find other providers that can.

Advanced, Interconnected Broadband Networks Are Driving New Video Competition

Recent improvements in the capacity and capabilities of broadband networks are driving this increased competition in video. For example, the newest, most advanced generation of wireless networks now supports the delivery of high-quality video. Those networks, in turn, have enabled a new generation of mobile devices designed to provide both interactive and traditional video viewing experiences. IP-based wireline broadband services have also reached important capacity thresholds that enable high-quality video streaming and delivery services, and broadband providers have been expanding those networks to an increasing number of the nation's households. Those providers are not just the traditional telephone companies. They include Google and a host of other companies taking advantage of the latest technologies.

Unlike traditional broadcast video delivery systems, today's broadband systems allow anyone to reach anyone else. That means any programmer that has great video content can find its audience. Programmers can use those broadband networks to make their video available directly to consumers, and consumers can choose from among a vast range of services to find those video offerings. YouTube, Netflix, Amazon video, and Hulu are only the beginning of this evolution.

In this new broadband world, consumers increasingly want their traditional video services integrated with broadband services to enable a richer experience. And the consumer benefits of broadband and video integration and bundling extend well beyond passive video viewing to a broad and increasing range of interactive communications, home security, and home automation, monitoring and control systems.

Consumers Today Have More Choice

These developments are shifting the relationship between consumers and aggregators of video programming. Traditionally, Americans could choose only among the "linear" programming provided by broadcast television networks or later cable television networks. Consumers might choose between the ABC or NBC program on a given evening or, later, among the television and cable network programs available on their cable television system.

Increasingly, however, consumers can choose among many more sources of programming, and their choices drive what survives in the marketplace. Many still choose from the television and cable networks, and traditional providers now offer both on-demand and online viewing. But broadband networks have expanded the choices. Streaming services have libraries of available programming and increasingly commission new programming. Social media and other emerging sites generate short-form and independent programming, and the line between traditional and emerging video programmers is blurring and will continue to do so.

As a result, consumers are able to find great programming in many more ways. To retain customers, video content aggregators will have to find superior programming and improve the seamlessness and efficiency of how they deliver it. As competition increases among content aggregators, and programmers are able to reach consumers more directly on different networks, programming improves, consumer choice proliferates, and consumers benefit.

Consumers Today Have Alternative Sources of Programming

The rise of these non-traditional, “over-the-top” programming sources has special importance for competition. As I have explained, these services have been able to flourish because of improvements in broadband networks, and consumers have benefited tremendously as a result. As demand for streaming and other innovative services grows, video traffic represents an increasing percentage of the overall Internet and data traffic on today’s broadband networks.

This makes the competitive implications of over-the-top programming considerably different than is often portrayed. Although online programming often competes with traditional cable television as a substitute, such programming is also a *complement* and an important component of the services offered by broadband network operators. Broadband competitors must work hard to ensure that they can provide their customers with as rich and as integrated a video environment as possible, drawn from all the programming sources consumers may want.

For these reasons, companies that provide bundles of broadband and video will foster, rather than impede, the emergence of over-the-top programmers. This is especially true for providers like AT&T whose core business is mobile and wireline broadband services. If those companies do not provide that rich and varied video environment, they risk losing their broadband customers and their wireless customers as well. Only by embracing the reality that over-the-top services are complements of their own services, just as traditional video can be a complement, will broadband providers retain and grow their relationship with their customers.

Expanding Broadband Networks and Their Capabilities

The central role of broadband in the new video environment, described above, also underpins AT&T’s acquisition of DIRECTV and explains why the combination is good for consumers.

DIRECTV is the premier video provider in the United States. AT&T has robust, market-leading wireline and wireless networks throughout the country. By adding DIRECTV’s video capabilities to our strength in fixed and mobile broadband delivery, we will create a new, unique competitor with unprecedented capabilities in mobility, video, and broadband services.

Today, consumers value a seamlessly integrated broadband access and video offering. Because of this, combining with DIRECTV will enable us to be a much more effective, nationwide competitor with traditional cable television companies. We can integrate the DIRECTV video offering with our national wireless broadband network services, as well as home services and customer support offered on a national basis. And, because we can offer broadband services far more widely than our U-Verse video service area, we will be able to offer the integrated offering

of video and broadband access service to many more customers – AT&T customers, DIRECTV customers, and new customers – than is possible today.

The transaction also enables us to grow and add to the capabilities of our core broadband business. With relationships to many more current and potential video customers, we will have stronger relationships with programmers, producing significant cost and quality improvements in our video offering. Those and other cost synergies and quality improvements from this transaction fundamentally change the business case for expanding our broadband infrastructure. Along with the strength of the new integrated video/broadband bundles the transaction enables, these synergies will make it economic to deploy infrastructure to millions of additional customer locations and will justify billions of dollars of additional broadband investment.

As a result, AT&T is committing to building and enhancing high-speed broadband service to at least 15 million customer locations, most of them rural, within four years of the transaction closing. This expansion is in addition to the broadband expansion plans that AT&T has already announced, and it directly results from the synergies created by the transaction.

First, AT&T will use its wireless spectrum to bring a fast, innovative broadband Internet access service to 13 million customer locations in rural areas in 48 states. This new service is not simply mobile LTE service on our wireless network. This is a new “fixed wireless” service that uses advanced technology, dedicated spectrum, and professional home installations to provide a consistent and reliable high-speed broadband experience. Second, AT&T will be able to build out its newest “GigaPower” broadband infrastructure to more customer locations. GigaPower relies on fiber all the way to the home and offers speeds of up to 1 gigabit per second. The transaction will allow AT&T to upgrade at least 2 million additional customer locations. Most of those locations are likely today to be in areas that have no AT&T broadband infrastructure or only slower forms of DSL infrastructure that do not support video service.

In these ways, DIRECTV enables AT&T to meet consumer’s ever-increasing demands for integrated broadband access and video services– all while meeting or exceeding the FCC’s 2010 net neutrality standards. And, as more consumers want access to the most advanced, highest capacity broadband networks, the transaction will enable AT&T to build out its broadband infrastructure to homes and businesses that we could not reach otherwise. As competition in the video industry continues to accelerate, AT&T looks forward to bringing the benefits of innovation to consumers.

Thank you, Mr. Chairman.