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**AT&T Texas**  
**Senate Business and Commerce Committee**  
**Testimony on SB 773 and SB 834**  
**March 8, 2011**

My name is Bob Digneo. I am AVP-Regulatory for AT&T Texas. Thank you for taking my testimony this morning.

I am here in opposition to SB 773 and SB 834.

AT&T takes this position knowing full well that most Texas public schools, libraries, universities and hospitals are in the midst of an extraordinary budget crisis.

But this discount program has been in place now for 16 years and it should expire on January 1, 2012 -- as the Legislature determined in 2005.

The program was part of a six-year agreement that was reached in the 1995 session --- and it has served the schools and libraries quite well. But now, 16 years later, it has fully served its purpose and should come to an end.

In 1995, in the very early days of the Internet, the HB 2128 discounts were established as a requirement of certain incumbent local phone companies like AT&T (SBC at the time) and Verizon (known as GTE at the time) to provide data connections to schools, universities, public hospitals and public libraries – priced at our cost plus a small 5 percent markup.

It was a six-year plan to “kick-start” the use of high speed Internet and video conferencing for these institutions. It was not a permanent program.

A key to this plan was that these entities would not have to pay upfront the cost for SBC to install new lines to get them the services they wanted. So, for services that used the standard copper lines already in place, that was no big deal. But it became a big deal when we added higher and higher speed services that required newly installed fiber- optic lines and sophisticated equipment.

The cost of that installation was rolled into the monthly charge for these entities and therefore was not recouped for years....unlike commercial customers who typically pay upfront for this kind of work.

AT&T made a special and unprecedented commitment to this program. We promoted the discounts. We talked them up. We met with schools and libraries and hospitals across the state to tell them about the discounts.

As we added larger and more robust data services (“bigger pipes”) to our array of products we automatically included them in the discount plan without question.

The result was that literally thousands of these customers have bought services that required significant new capital to be invested in the ground....specifically for them.

Demand was driven even higher when the federal E-rate program came along for public schools in 1997. This allowed schools even deeper discounts and increased their ability to purchase services already under HB2128 discounts.

Example: a \$2000 a month data service could be only \$1000 under the discounts ...and could actually be reduced to as as low as \$100 a month to a school getting a 90 percent E-rate discount.

( I should note that under the E-rate, companies like mine are reimbursed for the difference between our usual price and the price the school pays. So we are made whole. But the point is that the even lower prices drove the demand even higher for these services under HB2128 pricing. )

Over these last 16 years, as we invested more and more capital to serve schools and libraries who were paying really only the cost of the service and could postpone paying for the installation, this program has become extremely costly from a capital deployment standpoint.

And finally, our competitors have no such regulation on their pricing.

To sum up, we feel we have done more than was ever expected of us to promote this program and to ensure it reached all corners of the state. These customers have enjoyed exceptionally low pricing for our most-capital-intensive and highest speed data services.

But after two separate extensions of the program – once in 2001 and once in 2005 – we are now 16 years into this.

The program has served its purpose – and it should be allowed to expire.

Thank you.