

# TENNESSEE CABLE TELECOMMUNICATIONS ASSOCIATION

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## TV4US (AT&T) NOT SHOOTING STRAIGHT IN TENNESSEE

NASHVILLE – With the distribution today of thousands of copies of an advertisement insert in newspapers through a telecom-industry backed organization called TV4US, AT&T broadened its campaign of misleading information to Tennesseans.

“AT&T should stop fibbing to Tennesseans. The company says a new law is needed to provide consumers video competition, but the fact is that under the current law the company can provide services in any city or county in the state but is simply choosing not to,” said Stacey Briggs, executive director of the Tennessee Cable Telecommunications Association. “Instead of competing under the current local franchise rules that protect consumers, local governments and taxpayers, AT&T wants the state to pass a special law because it doesn’t like the expense of the current set of rules and wants to cherry pick only affluent neighborhoods.

“Competition is good for business and consumers, and our member companies welcome it. AT&T should come through the front door that is already wide open rather than trying to pass a law that shortchanges consumers, local governments and taxpayers.”

The advertisements have been distributed by a group called TV4US – labeled a “Wolves in Sheep’s Clothing” group by consumer protection organization Common Cause. Common Cause says TV4US provides “misleading” information to help telecom giants like AT&T get legislative approvals.

### *Competing Today*

Since passage of the Telecommunications Act of 1996 telecommunications companies like AT&T have been able to compete in the video market. The local franchise process requires these companies to apply and gain local approval for a franchise and to meet basic requirements that are in place to protect consumers, local governments and taxpayers.

Since that time, more than 600 franchises have been approved in Tennessee. The law is easy to navigate, and AT&T and all other companies entering a local market could be approved within 90 days.

Local government associations in Tennessee endorse the local franchise process and oppose AT&T's effort to dismantle it.

### *Pricing*

TV4US's printed advertising material distributed in Tennessee contradicts statements made by AT&T's own corporate chairman and independent media reports about pricing. The printed piece says, "In other states, real competition has brought . . . lower prices for cable TV."

Well established facts show otherwise:

- AT&T Chairman and CEO Ed Whitacre in 2006 and again this year stated the company has no intention of engaging in a "price war" with cable companies for its video services.

Said Whitacre, "**I don't think there's going to be a price war.** I think it's going to be a war of value and services, and, I don't think, we're not going to chase (price) down, or certainly don't have any plans to do that." (Sanford C. Bernstein & Co. Conference, 5/31/06.)

In an interview with the *Atlanta Journal-Constitution* (2/13/07) Whitacre said consumers should "**expect no change**" in their monthly bills from AT&T's U-Verse video service and that, "**we hope they buy more and the bill goes up**"

- "With prices starting at \$59 a month, AT&T's initial (video) packages are roughly on par with those of cable... is it going to be transformative to your cable bill? Probably not." (Sanford C. Bernstein & Co. Analyst Craig Moffett as reported in the *Wall Street Journal*.)
- In markets where AT&T has introduced its U-Verse video service, it has shown consistent price increases.

In January 2007 Bank of America reported that AT&T has raised the effective pricing for its U-Verse video service for two consecutive quarters. The most recent hike results in an effective **price increase of 13 percent.** "AT&T has raised effective pricing for U-Verse for the second quarter in a row. After increasing the advertised price of entry-level U-Verse bundles by \$5 in 3Q06 quarter, AT&T raised 4Q06 effective prices by shortening the free TV promotional period from 3 months to 2 months on the U-300 and U-400 packages, and eliminating the free service promotion with the U-200 package. **The result is a first year effective price of \$124 up from \$109.**"

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