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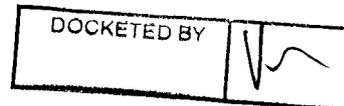
August 25, 2000

Arizona Corporation Commission

DOCKETED

AUG 25 2000

The Honorable Carl J. Kunasek
Chairman
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007



RE: DOCKET NO. T-00000A-00-0194 (PHASE 1)

Dear Commissioner Kunasek:

Thank you for your letter of August 15. The state-by-state information you have requested is highly confidential business information which I am not at liberty to release. What I can tell you is that AT&T is serving residential customers in a number of states, including five states in Qwest territory. We are providing service to residential customers over our own upgraded cable facilities and using unbundled network elements leased from incumbent local carriers. To date, we have signed up a total of more than 1 million residential customers in the states where we are offering service.

Unfortunately, the excessive loop rates established by the Arizona Commission effectively preclude residential competition using unbundled network elements in this state and will until such time as new rates are established that present a reasonable margin opportunity for competitors.

Attached are two documents.

1. A matrix, which lists state regulatory agency approved de-averaged unbundled network element loop rates. The matrix has been updated to include rates most recently approved in compliance with the FCC mandate to state regulatory agencies to approve in the year 2000 de-averaged loop rates. The date by which the FCC initially required de-averaged loop rates was May 1, 2000, however, the FCC granted a few state regulatory agencies an extension, Arizona being one of those states.



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2. A copy of the AT&T handout provided to the parties in this proceeding in attendance at the Arizona Corporation Commission Special Open Meeting conducted on Monday, August 21, 2000, at 1:00 p.m.

If you have any further issues, concerns, or questions, please contact me at 602-257-4466.

Sincerely,


Patricia L. vanMidde

Attachments

cc: Commissioner J. Irvin (with attachments)
Commissioner W. Mundell (with attachments)
P. Black (with attachments)
H. Dellas (with attachments)
J. Porter (with attachments)
B. McNeil (with attachments)
T. Pelto, AT&T (with attachments)

UNE Loop Prices - By State/Zone

2 Wire Analog Loop

August 23, 2000

Region	State	Company	Rate Field	Zone (Rate - No Deaverage)	Amount
CR	IL	GTE - IL	MONTH	Rate	\$25.26
CR	IL	Ameritech - IL	MONTH	1	\$2.59
CR	IL	Ameritech - IL	MONTH	2	\$7.07
CR	IL	Ameritech - IL	MONTH	3	\$11.40
CR	IN	Ameritech - IN	MONTH	Rate	\$12.19
CR	MI	Ameritech - MI	MONTH	1	\$10.90
CR	MI	Ameritech - MI	MONTH	2	\$11.79
CR	MI	Ameritech - MI	MONTH	3	\$15.33
CR	OH	GTE - OH	MONTH	Rate	\$15.73
CR	OH	Ameritech - OH	MONTH	1	\$8.36
CR	OH	Ameritech - OH	MONTH	2	\$11.68
CR	OH	Ameritech - OH	MONTH	3	\$13.73
CR	WI	GTE - WI	MONTH	Rate	\$32.00
CR	WI	Ameritech - WI	MONTH	1	\$8.10
CR	WI	Ameritech - WI	MONTH	2	\$12.80
CR	WI	Ameritech - WI	MONTH	3	\$13.84
MA	DC	Bell Atlantic South - DC	MONTH	1	\$10.81
MA	DE	Bell Atlantic South - DE	MONTH	1	\$10.07
MA	DE	Bell Atlantic South - DE	MONTH	2	\$13.13
MA	DE	Bell Atlantic South - DE	MONTH	3	\$16.67
MA	MD	Bell Atlantic South - MD	MONTH	1	\$12.11
MA	MD	Bell Atlantic South - MD	MONTH	2	\$12.85
MA	MD	Bell Atlantic South - MD	MONTH	3	\$25.96
MA	MD	Bell Atlantic South - MD	MONTH	4	\$18.40
MA	NJ	Bell Atlantic South - NJ	MONTH	1	\$11.95
MA	NJ	Bell Atlantic South - NJ	MONTH	2	\$16.02
MA	NJ	Bell Atlantic South - NJ	MONTH	3	\$20.98
MA	PA	GTE - PA	MONTH	1	\$7.45
MA	PA	GTE - PA	MONTH	2	\$8.60
MA	PA	GTE - PA	MONTH	3	\$11.76
MA	PA	GTE - PA	MONTH	4	\$15.10
MA	PA	Bell Atlantic South - PA	MONTH	1	\$10.25
MA	PA	Bell Atlantic South - PA	MONTH	2	\$11.00
MA	PA	Bell Atlantic South - PA	MONTH	3	\$14.00
MA	PA	Bell Atlantic South - PA	MONTH	4	\$17.00
MA	VA	Bell Atlantic South - VA	MONTH	1	\$10.74
MA	VA	Bell Atlantic South - VA	MONTH	2	\$16.45
MA	VA	Bell Atlantic South - VA	MONTH	3	\$29.40
MA	VA	GTE - VA	MONTH	Rate	\$19.16
MA	WV	Bell Atlantic South - WV	MONTH	1	\$14.49
MA	WV	Bell Atlantic South - WV	MONTH	2	\$22.04
MA	WV	Bell Atlantic South - WV	MONTH	3	\$43.44
NE	CT	SNET - CT	MONTH	1	\$8.76
NE	CT	SNET - CT	MONTH	2	\$13.79
NE	CT	SNET - CT	MONTH	3	\$15.93
NE	CT	SNET - CT	MONTH	4	\$18.36
NE	MA	Bell Atlantic North - MA	MONTH	1	\$7.54
NE	MA	Bell Atlantic North - MA	MONTH	2	\$14.11
NE	MA	Bell Atlantic North - MA	MONTH	3	\$16.12
NE	MA	Bell Atlantic North - MA	MONTH	4	\$20.04
NE	ME	Bell Atlantic North - ME	MONTH	Rate	\$26.69
NE	NH	Bell Atlantic North - NH	MONTH	1	\$17.99
NE	NH	Bell Atlantic North - NH	MONTH	2	\$17.99
NE	NH	Bell Atlantic North - NH	MONTH	3	\$17.99
NE	NY	Bell Atlantic North - NY	MONTH	1	\$11.83
NE	NY	Bell Atlantic North - NY	MONTH	2	\$12.49
NE	NY	Bell Atlantic North - NY	MONTH	3	\$19.24
NE	RI	Bell Atlantic North - RI	MONTH	1	\$13.39
NE	RI	Bell Atlantic North - RI	MONTH	2	\$16.31
NE	RI	Bell Atlantic North - RI	MONTH	3	\$23.72
PR	AK	Anchorage Tel Utility	MONTH	Rate	\$13.85
PR	CA	GTE - CA	MONTH	Rate	\$16.81
PR	CA	Pacific Bell - CA	MONTH	Rate	\$11.70
PR	HI	GTE - HI ON-ISLAND	MONTH	1	\$14.65
PR	HI	GTE - HI ON-ISLAND	MONTH	2	\$25.38
PR	HI	GTE - HI ON-ISLAND	MONTH	3	\$28.88
PR	HI	GTE - HI ON-ISLAND	MONTH	4	\$40.88
PR	HI	GTE - HI ON-ISLAND	MONTH	5	\$43.84
PR	HI	GTE - HI ON-ISLAND	MONTH	6	\$138.29
SR	AL	GTE - AL	MONTH	Rate	\$28.13
SR	AL	BellSouth - AL	MONTH	Rate	\$18.00

UNE Loop Prices - By State/Zone

2 Wire Analog Loop

August 23, 2000

Region	State	Company	Rate Field	Zone (Rate = No Deaverage)	Amount
SR	FL	GTE - FL	MONTH	1	\$16.41
SR	FL	GTE - FL	MONTH	2	\$23.33
SR	FL	GTE - FL	MONTH	3	\$40.41
SR	FL	BellSouth - FL	MONTH	1	\$14.65
SR	FL	BellSouth - FL	MONTH	2	\$18.38
SR	FL	BellSouth - FL	MONTH	3	\$24.32
SR	FL	Sprint/United - FL	MONTH	Rate	\$15.00
SR	GA	BellSouth - GA	MONTH	1	\$12.59
SR	GA	BellSouth - GA	MONTH	2	\$14.26
SR	GA	BellSouth - GA	MONTH	3	\$21.62
SR	KY	GTE - KY	MONTH	1	\$17.44
SR	KY	GTE - KY	MONTH	2	\$22.23
SR	KY	GTE - KY	MONTH	3	\$25.84
SR	KY	BellSouth - KY	MONTH	1	\$14.79
SR	KY	BellSouth - KY	MONTH	2	\$27.68
SR	KY	BellSouth - KY	MONTH	3	\$47.78
SR	LA	BellSouth - LA	MONTH	Rate	\$19.08
SR	MS	BellSouth - MS	MONTH	1	\$15.58
SR	MS	BellSouth - MS	MONTH	2	\$20.65
SR	MS	BellSouth - MS	MONTH	3	\$29.51
SR	MS	BellSouth - MS	MONTH	4	\$38.94
SR	NC	Sprint/United - NC	MONTH	Rate	\$16.71
SR	NC	GTE - NC	MONTH	Rate	\$17.05
SR	NC	BellSouth - NC	MONTH	Rate	\$14.18
SR	SC	GTE - SC	MONTH	Rate	\$18.00
SR	SC	BellSouth - SC	MONTH	Rate	\$18.00
SR	TN	BellSouth - TN	MONTH	Rate	\$18.00
SW	AR	Southwestern Bell - AR	MONTH	1	\$20.60
SW	AR	Southwestern Bell - AR	MONTH	2	\$33.45
SW	AR	Southwestern Bell - AR	MONTH	3	\$72.90
SW	KS	Southwestern Bell - KS	MONTH	1	\$12.71
SW	KS	Southwestern Bell - KS	MONTH	2	\$13.77
SW	KS	Southwestern Bell - KS	MONTH	3	\$23.54
SW	MO	GTE - MO	MONTH	1	\$19.14
SW	MO	GTE - MO	MONTH	2	\$29.05
SW	MO	GTE - MO	MONTH	3	\$48.39
SW	MO	GTE - MO	MONTH	4	\$53.84
SW	MO	Southwestern Bell - MO	MONTH	1	\$12.71
SW	MO	Southwestern Bell - MO	MONTH	2	\$18.23
SW	MO	Southwestern Bell - MO	MONTH	3	\$20.71
SW	MO	Southwestern Bell - MO	MONTH	4	\$33.29
SW	OK	GTE - OK	MONTH	Rate	\$17.63
SW	OK	Southwestern Bell - OK	MONTH	1	\$20.70
SW	OK	Southwestern Bell - OK	MONTH	2	\$27.75
SW	OK	Southwestern Bell - OK	MONTH	3	\$49.30
SW	TX	GTE - TX	MONTH	Rate	\$25.49
SW	TX	Southwestern Bell - TX	MONTH	1	\$12.14
SW	TX	Southwestern Bell - TX	MONTH	2	\$13.65
SW	TX	Southwestern Bell - TX	MONTH	3	\$18.98
WR	AZ	US West - AZ	MONTH	1	\$34.94
WR	AZ	US West - AZ	MONTH	2	\$56.53
WR	AZ	US West - AZ	MONTH	Base Rate	\$18.96
WR	CO	US West - CO	MONTH	1	\$19.65
WR	CO	US West - CO	MONTH	2	\$26.65
WR	CO	US West - CO	MONTH	3	\$38.65
WR	CO	US West - CO	MONTH	4	\$84.65
WR	IA	GTE - IA	MONTH	Rate	\$28.12
WR	IA	US West - IA	MONTH	Rate	\$20.15
WR	ID	US West - ID	MONTH	Rate	\$25.52
WR	MN	GTE - MN	MONTH	Rate	\$28.60
WR	MN	US West - MN	MONTH	Rate	\$17.87
WR	MT	US West - MT	MONTH	Rate	\$27.41
WR	ND	US West - ND	MONTH	1	\$16.41
WR	ND	US West - ND	MONTH	2	\$27.66
WR	ND	US West - ND	MONTH	3	\$62.66
WR	NE	GTE - NE	MONTH	Rate	\$23.06
WR	NE	US West - NE	MONTH	Rate	\$15.79
WR	NM	GTE - NM	MONTH	Rate	\$30.00
WR	NM	US West - NM	MONTH	1	\$19.49
WR	NM	US West - NM	MONTH	2	\$21.30
WR	NM	US West - NM	MONTH	3	\$26.74

UNE Loop Prices - By State/Zone

2 Wire Analog Loop

August 23, 2000

Region	State	Company	Rate Field	Zone (Rate = No. Deaverage)	Amount
WR	OR	GTE - OR	MONTH	Rate	\$15.00
WR	OR	US West - OR	MONTH	Rate	\$15.00
WR	SD	US West - SD	MONTH	1	\$17.01
WR	SD	US West - SD	MONTH	2	\$18.54
WR	SD	US West - SD	MONTH	3	\$24.37
WR	UT	US West - UT	MONTH	1	\$14.41
WR	UT	US West - UT	MONTH	2	\$17.47
WR	UT	US West - UT	MONTH	3	\$21.14
WR	WA	GTE - WA	MONTH	1	\$14.96
WR	WA	GTE - WA	MONTH	2	\$16.74
WR	WA	GTE - WA	MONTH	3	\$20.11
WR	WA	GTE - WA	MONTH	4	\$23.36
WR	WA	GTE - WA	MONTH	5	\$49.85
WR	WA	US West - WA	MONTH	1	\$7.50
WR	WA	US West - WA	MONTH	2	\$13.89
WR	WA	US West - WA	MONTH	3	\$15.73
WR	WA	US West - WA	MONTH	4	\$17.78
WR	WA	US West - WA	MONTH	5	\$24.18
WR	WY	US West - WY	MONTH	Rate	\$25.65

AT&T's Commitment to the Local Telephone Market Since the Telecommunications Act of 1996

Overview

Since the Bell monopolies were dragging their feet and failing to comply with the requirements of the Telecom Act of 1996, AT&T redirected its local service entry strategy. While the company's redirection may have caused confusion and uncertainty concerning AT&T's local service strategy, it is important to understand that AT&T remains fully committed to providing local service.

AT&T simply redirected spending away from unprofitable reselling of local service and toward leasing and building its own facilities. AT&T cannot make a reasonable profit buying and reselling local service from local exchange companies as long as they refuse to provide economically viable discounts and the local exchange company resale discount and pricing strategies retain state telecommunication regulatory agencies' support. Efforts by all the RBOCs, including US WEST, to undermine the Act have been well documented by literally dozens of third party organizations; many are state and federal regulatory and legislative agencies.

The facts are abundantly clear regarding AT&T's commitment to providing local telephone service:

- AT&T has spent more than \$4 billion entering local markets in an attempt to profitably resell local exchange services.
- AT&T spent \$123 billion on its purchase of Teleport Communications Group, Inc., MediaOne Group, and its all-stock transaction merger with Tele-Communications, Inc.
- No other company in history has invested so much to provide local service to both business and residential customers.

The Telecom Act of 1996

AT&T is committed to serving business and residential local markets. But as it said in 1996, the local market needs to be economically viable for customers to reap the benefits of the Telecom Act. Reselling has proven to be unprofitable on its own. It is viable on a limited basis only as a stepping stone to being able to buy unbundled network elements (UNE) from local exchange companies, and combining those elements with parts of its own network. Unfortunately, UNE, until most recently, has been tied up in litigation brought about by local exchange carriers. Until that is resolved, it would have been financially irresponsible to continue to enter markets by reselling LEC service without some guarantees about the ability to migrate to UNE platforms. Even today, AT&T's intent continues to be to obtain and implement the UNE platform wherever possible.

AT&T continues to believe the Telecom Act is good law; however, progress in implementing it and AT&T's local entry in the local market has been slow, due to foot-dragging tactics by local phone monopolies. Nevertheless,

AT&T is committed to broadly providing profitable local phone service to residence and business customers.

In passing the Act, Congress acknowledged that the fastest way to local entry was total services resale (TSR). Unfortunately, companies like U S WEST argued that wholesale discounts should be so low that market entry would be impossible. AT&T's efforts to serve residential customers focused initially on leasing and reusing elements of the local companies' networks--if priced fairly. Once the resale option was effectively foreclosed by the RBOCs, AT&T turned quickly to alternative technologies such as mobile spectrum, fixed wireless, broadband cable and power transmission.

Key Commitment

In maintaining current customers, AT&T continues to focus on quality and direct measures of quality (DMOQs) to simplify its processes and drive out costs. AT&T not only remains committed to serve the millions of customers who want a choice in local service, its very ability to compete hinges on doing so successfully. However, until the economics in some states improve, AT&T's intention is to neither market nor solicit new customers for re-sold consumer local service in those states. Clearly called for in the Act, AT&T does intend to push hard to get actual UNE platform capabilities and economics from the local exchange company suppliers. AT&T will market its local service aggressively wherever and whenever it is economically viable to do so.

Other Investments to Remember

Since the Telecom Act was passed in February 1996, AT&T has spent nearly \$4 billion to offer local service using resold monopoly local exchange services. Its purchase of Teleport Communications, MediaOne and TCI, is solid proof of its commitment to offer end-to-end communications services to business and residential customers. Add to the \$4 billion on local service entry the \$11 billion to acquire Teleport, \$62 billion to acquire MediaOne and \$50 billion to acquire TCI. The total commitment comes to a whopping \$137 billion.

AT&T's multibillion-dollar investment to buy cable television systems across the country is about much more than television service. With system upgrades, these cable systems will provide a high-speed or "broadband" platform that AT&T can use to deliver the next generation of telecommunications services to consumers. The range of services includes digital cable television (with many more channels), sharper picture and clearer sound. It also includes services such as high-speed Internet access and, most importantly, local and long-distance telephone services.

This broadband platform combines telephones, computers and televisions in ways consumers never before dreamed possible. The proof: AT&T is already serving tens of thousands of residential customers using broadband cable facilities.

The TCG Connection

AT&T spent \$11 billion for its purchase of Teleport Communications Group, Inc. For AT&T's business customers, the merger with TCG sped its entry into local, reduced its costs and brought thousands of business users the "any distance" service they want. With AT&T Digital Link service, AT&T offers local calling capability to business customers over dedicated AT&T facilities.

The TCI Connection

AT&T signed a definitive merger agreement with Tele-Communications, Inc., (TCI) for an all-stock transaction valued at about \$48 billion. TCI, with nearly 11 million customers and approximately 18 million homes passed, is one of the leading cable television companies in the country.

The TCI cable system is being upgraded at a capital cost of about \$1.8 billion over three years to increase transmission capacity and facilitate two-way communications. As systems are upgraded, customers will enjoy an increase in the number of cable channels, expanded pay-per-view capabilities and high-speed Internet access as much as 300 times faster than over traditional phone lines.

Initially the merger gave AT&T its first opportunity for a direct "broadband" connection to millions of customers' homes on lines that it owns and operates. By weaving TCI's powerful, broadband cable network with AT&T's Worldwide Intelligent Network, it delivers integrated telephony, entertainment and high-speed Internet access services and a host of new communications capabilities to its customers.

TCI became a new AT&T business unit, AT&T Broadband & Internet Services, and it has responsibility for the company's cable ventures as well as its ownership interest in the At Home Corporation. The unit is headquartered in the Denver area.

The MediaOne Connection

Together, AT&T and MediaOne will bring broadband video, voice and data services to more communities, faster than could have been accomplished as separate entities.

AT&T's acquisition of TCI, and subsequently its acquisition of MediaOne Group, should leave no doubt that AT&T is very serious about providing Americans a choice in local phone service and delivery of advanced services expected in a competitive market. Initially, with the combined acquisition of MediaOne and TCI, AT&T's owned and operated cable systems pass approximately 26.5 million households, which gives AT&T a significant local presence in 18 of the top 20 markets.

The Insight Midwest Connection

AT&T Broadband also has entered into a 50-50 joint venture with Insight Communications. Insight Communications Company, Inc., is the 8th largest cable operator in the United States with approximately one million subscribers. It became the first cable operator in 14 years to complete an initial public offering in July 1999 when it raised \$650 million. The company specializes in offering bundled, state-of-the-art technology in mid-sized communities delivering analog and digital video, high-speed data, and other advanced telecommunications services to its customers.

The Competitive Local Exchange Landscape

The goal of Federal Communications Commission policy is for consumers to have a choice of facilities-based local phone providers. AT&T is attempting to provide that choice. Cable telephony is still in its infancy and the FCC does not want to undermine investment incentives.

AT&T has invested more than \$137 billion dollars (in stock and cash) and is upgrading cable systems across the country. This investment has been made with no guarantee that even one customer would switch phone or Internet service to AT&T. By contrast, the phone monopolies built their systems under a regulatory regime that guaranteed them a rate of return. The FCC has determined that investments in alternative networks must be protected while it is in its infancy.

Texas is one of the nation's hotspots for the telecommunications revolution. *The New York Times* reported recently that "...Austin is a rare sweet spot, where cable, DSL and satellite coverage overlap." Texas has been one of the primary beneficiaries of an unprecedented level of investment across all platforms by a host of companies:

- **Cable:** Across Texas, AT&T, Time Warner and others are investing hundreds of millions of dollars to upgrade cable systems.
- **Cable** television lines pass approximately 50 percent of American homes nationally, and approximately 50 percent of the potential customer base actually subscribe to cable. By contrast, local phone companies that offer Internet access service control more than 95% of the market in their territories.
- **DSL:** SBC announced a \$6 billion investment in its "Project Pronto", over three years, to make available high-speed Internet access to 77 million customers nationwide. America Online reached an agreement with SBC, GTE, Bell Atlantic and Ameritech allowing it to offer DSL to 32 million homes by the end of 2000.
- **Fixed Wireless:** AT&T selected Fort Worth as the first city in the nation for deployment of its new fixed wireless network. Cisco Systems, in partnership with Texas Instruments, Toshiba, Samsung and others, are investing \$1 billion nationwide to build a competing fixed wireless network.

- **Satellite:** SBC has formed a joint venture with DirecTV, which offers high-speed Internet access in Texas. AOL has invested \$1.5 billion in DirecTV as well.

- **Satellite:** Today, 13.8 percent of those American households purchasing television services subscribe to satellite, and satellite's market share is growing twice as fast as cable's.

Not even Congress could have predicted such explosive growth in broadband investment, and without a crystal ball it is impossible to know what the future will bring. For now, consumer demand and an open market are driving the rapid deployment of these technologies.

AT&T Broadband Accelerating New Services

AT&T Broadband, a business unit of AT&T, is one of the nation's largest broadband services companies. AT&T's owned and operated cable systems pass approximately 26.5 million households, providing television entertainment services to more than 11 million customers across the nation. The company also provides advanced services, such as AT&T Digital Cable; AT&T@Home, a high-speed cable Internet service; and competitive local and long-distance phone service.

AT&T's Broadband and Internet Services unit is meeting or exceeding targets for upgrading facilities, consolidating systems and accelerating the rollout of a new generation of communications, information and entertainment services.

AT&T will have about 85 percent of its cable facilities upgraded to two-way capability by year-end 2000. Broadband telephony trials are under way in eight markets -- 13 cities -- and the company expects to have nearly 500,000 customers in 2000. High-speed Internet service through AT&T@Home is also in strong demand. AT&T expects to have more than 700,000 AT&T@Home customers by year-end. By year-end 2000, AT&T said it will have between 2.5 - 3.0 million digital cable customers, about 25 percent of its subscriber base.

AT&T unveiled an "all-distance" One Rate offer in New York that combines both local and long distance service. A trial of the service is also under way in Texas. AT&T expects to be an all-distance market share leader in New York by the end of next year with more than 700,000 - 800,000 customers, or a local market share of 12 percent.

AT&T's Commitment to the Consumer Local Exchange Market

A week never goes by that AT&T isn't in the news for its ever-evolving strategy to serve the needs of its customers. The following stories appeared the week of August 14.

AT&T IN THE NEWS * AT&T TO MARKET PHILIPS'S DIGITAL SET-TOP BOXES** - [Wall Street Journal, A16.] AT&T said it plans to begin marketing the digital cable-TV set-top boxes of Philips Electronics beginning in 2001, saying it wants to spur competition and innovation in the set-top business. AT&T said it plans to buy initially about one million set-top boxes from Philips over a three-year period. The companies said they planned to form a business alliance with the aim of "increasing the competitive retail marketplace" for advanced digital set-top boxes. [Denver Rocky Mountain News, 5B.] [In addition] Motorola Broadband will provide 700,000 cable modems and at least 1 million digital set-top boxes, many of which will show up on retail shelves over the next few years. "Cable doesn't have the presence there (in retail) that I want to see," said Tony Werner, technology chief for AT&T Broadband. The advanced digital set-top boxes will let consumers get digital, interactive television with Internet access on their screens. The set-top boxes also will provide access to other features, such as programming guides, video on demand and video recording on a hard disk drive. AT&T expects to have 1.1 million subscribers to its high-speed data access by the end of this year. In addition to retail sales, AT&T will continue to rent out cable modems and set-top boxes. "We're not going to start pushing all our customers to go to retail so I can share \$300 to \$400 (margin on the hardware)," said Werner. "But if they do want to go to retail, we have to be there." The cable modems and set-top boxes will comply with almost any cable system. AT&T will continue to work with multiple manufacturers, Werner said. Industry experts have expressed concern over manufacturers' inability to meet demand for cable modems and set-top boxes because of a shortage of parts. But Werner said AT&T is not concerned. "We're optimistic that they (vendors) can meet the forecast. In August, we actually received product ahead of schedule." [Wire and broadcast coverage elsewhere.]

VERIZON'S NEW YORK FIGHT KEY TO AT&T CHALLENGE -

[Investor's Business Daily, A6.] [Co-chief executive of Verizon Ivan Seidenberg] says Verizon has gained the upper hand over AT&T and other long-distance carriers. From January through July, Verizon signed up more than 1 million New York customers for long-distance phone service. AT&T, though, claims it has offset its long-distance market share loss. It said last month that it had signed up more than 500,000 consumers in New York for local phone service – at Verizon's expense. New York [State] is the key market. It's the first state in which regulators have given a regional Bell the OK to sell long-distance services. To get that OK, a local phone company must open its network to rivals. In January, Bell Atlantic began selling long-distance calls in New York. SBC is the only other Bell to follow suit. Its long-distance service in Texas began July 10. SBC says it signed up 150,000 subscribers in the first eight days it offered long-distance service. It hasn't yet provided an update on that figure. In Texas, AT&T has signed up 220,000 customers for local phone service. It hopes to hit the 650,000 mark in the Lone Star State by year's end, says PaineWebber analyst Eric Struminger. Long range, AT&T plans to deliver local phone services via cable wiring. But in New York and Texas, it has been relying on a different strategy. AT&T leases telephone lines from Verizon's local network. Local phone companies are required to lease their lines to rivals by the Telecommunications Act of 1996. AT&T began selling local phone service in New York via leased lines in December. The company says it's happy with the 500,000 residential sign-ups. "We've won more local customers in New York than we've lost residential long-distance customers to Bell Atlantic," said AT&T spokesman Gary Morgenstern.

AT&T DEALS WITH NYC DEVELOPER - [Multichannel News, p. 33, 8/14.] AT&T Broadband signed a deal last week to provide local, toll and long-distance telecommunications services to multiple-dwelling units [MDUs] in parts of New York City with the developer The Lefrak Organization. AT&T Broadband will offer service to Lefrak buildings in Brooklyn, Manhattan and Queens with about 18,000 units. The deal is for 12-and-one-half years. "The combination of our aggressive local service strategy and experience uniquely positions AT&T to provide any-distance communications to consumers in residential multiple-dwelling units," AT&T Broadband CEO Dan Somers said. "Our agreement with Lefrak is a great example of what we can do in this vast and growing market." AT&T Broadband does not own cable systems in New York. Still it will offer its own facilities-based service, running off a network formerly owned by TCG. While the deal appears to be a method to bypass cable operators that have yet to reach telephony agreements with AT&T, spokeswoman Sarah Duisik said this was not the case. Duisik said the Lefrak agreement does not include data services, but it could in the future. She added that Lefrak has other buildings in the New York metropolitan area and AT&T Broadband could possibly offer telephony service in those buildings in the future, as well. "There are opportunities for AT&T to serve other Lefrak properties," Duisik said. Duisik said that although this is the first MDU deal AT&T Broadband has done for telephony, there could be more, adding that there are teams at the company dedicated to selling service to MDUs.