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AT&T will start offering TV service

Video option begins Monday in suburbs

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After a few false starts and missed deadlines, AT&T Inc. launches video service for residents in most Chicago suburbs Monday.

AT&T's TV service, called U-verse, will become available in parts of 175 suburbs. The rollout will be low-key to guard against unrealistic consumer expectations, AT&T executives said, but it does mark the phone giant's largest foray into television.

Customers will be solicited by direct mail and door to door, said Steven Mitchell, AT&T Illinois general manager and vice president, for video and high-speed Internet service packages that vary in price from \$69 a month to \$154 a month.

The area's incumbent phone company has upgraded its network in many suburbs to handle video and is still negotiating with the city of Chicago and several suburbs for permission to place outside electronics cabinets that are part of the upgrade, Mitchell said.

"We're moving as fast as we can to extend U-verse throughout the market," he said.

AT&T is hiring and training 1,100 technicians to install U-verse service and expects an average installation will take about five hours.

"We're doing a controlled rollout because we want to provide a good customer experience," said Mitchell. Under an Illinois law enacted last year, AT&T has a statewide cable TV franchise. Earlier legal disputes with municipalities, as well as technical problems, had stalled plans for AT&T to launch its TV service in 2006 or 2007.

Under state regulations, AT&T and other cable services must respond to customer requests for service within seven business days or face penalties such as providing some free service to the customer.

Entry welcomed



AT&T's entry into the TV market is welcomed by David Kolata, executive director of the Citizens Utility Board consumer advocacy group, because "consumers need more choices."

Kolata said he hopes U-verse will bring lower cable rates, although it's unclear whether AT&T's launch will affect cable pricing. AT&T executives said they plan to compete primarily on the strength of their technology, which ties computers, television sets and wireless phones together.

Indeed, the phone company is retreating from price incentives it once offered. Mitchell said customers who buy service bundles from AT&T in the future won't get the same rate discounts for adding services as had been offered. Mitchell said the quality of the U-verse technology is sufficient to entice consumers without trimming prices.

Kolata said that if AT&T's U-verse "doesn't have a good price, I suspect it won't be that popular."

12,000 installations a week

Nationally, AT&T has installed U-verse for 231,000 customers and is proceeding with about 12,000 new installations a week, said Chris Rice, AT&T chief technology officer. Because of technology limitations, customers who live more than 3,000 feet from a U-verse installation will be unable to get the service.

Mitchell said he is unable to estimate what percentage of customers in Chicago suburbs served by U-verse will be able to actually get it. Nationally, AT&T's goal in 22 states where it is the dominant phone company is to have U-verse available to half its customers by the end of 2010, said Rice.

Others may be served by AT&T's collaboration with the Dish Network satellite TV operation and its DSL Internet service. Those who cannot get DSL have the option of a satellite Internet connection, Rice said.

Illinois customers who now get AT&T's DSL and satellite TV service won't be approached for U-verse, even if they are located close enough to the service to qualify, said Mitchell.

"If they want to switch, they can," he said. "But they'll have to pay any early termination fees that apply."

Customers who can get U-verse face a promise of expanding new technology applications, said Rice. Besides video on demand, regular TV channels, high-definition and other features familiar to cable TV customers, U-verse offers games, a Yellow Pages-type business searching service and other features common to computers.

Moving content from computers to TV sets will be seamless as AT&T upgrades U-verse software, Rice said.

Last week, AT&T launched an Internet protocol voice service in Detroit as part of U-verse that will eventually be available here. Integrating voice with video and data services will enable a host of new features in the future, such as using one number for both cell phones and home phone calls and sending videos made by a cell phone to a TV set, Rice said.

U-verse already enables customers to use their cell phones to program the TV's digital recorder. Combining voice, video, Internet and wireless services is AT&T's strategy for combating Comcast Corp., the Chicago market's dominant cable operator. Comcast has been stealing traditional phone

customers.

Combating Comcast

Bill Connors, Comcast Midwest division president, said his operations already face stiff competition in Chicago and AT&T's entrance doesn't change the market. Connors challenged U-verse's claim of using state-of-the-art technology because AT&T's upgraded network delivers 25 megabits a second to customers while Comcast's system delivers far more and is on target to deliver Internet speeds of 100 megabits a second by the end of the year.

In Michigan and Indianapolis, where U-verse has been offered for eight months, Comcast gains more new phone and Internet accounts than it loses to AT&T's TV service, Connors said.

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