



**The Free State Foundation's
Eighth Annual Telecom Policy Conference**

"The FCC and the Rule of Law"

**March 23, 2016
National Press Club
Washington, DC**

Closing Keynote Address

MODERATOR:

- **RANDOLPH J. MAY** – President, The Free State Foundation

KEYNOTE SPEAKER:

- **GLENN LURIE** – President & CEO, AT&T Mobility and Consumer Operations

* This transcript has been edited for purposes of correcting obvious syntax, grammar, and punctuation errors, and eliminating redundancy. None of the meaning was changed in doing so.

PROCEEDINGS

MR. MAY: Now, I'm going to call up our final speaker, Glenn Lurie.

Glenn, why don't you come up and just take a seat?

And I will say this. I don't think we've ever had this many people late in the day. We were fortunate when we found out that Glenn Lurie could be here. So we added a closing keynote. And I'm very appreciative of the fact that you're here to do that.

We've had a lot of law talk today, if I can call it that, because the theme of this conference is "The FCC and the Rule of Law." But I know you're, at least principally, if not exclusively, a businessperson. So I think that's an appropriate way to bring us back really to what sometimes we call the real world here.

And I've done this all day, so please don't feel slighted. We've got this nice brochure. It's even got your photograph in here. So I'm just going to give your title and refer people to the brochure.

Glenn was appointed President and CEO, AT&T Mobility and Consumer Operations in February 2016. So this is a new job for you and new title. I sometimes pick out one thing from these bios. And one thing that Glenn says is that he basically moved up through the ranks and had all this terrific and varied business experience. After he was at McCaw Cellular, it says, "Over the next two decades, he helped usher in the Smartphone era and took a leading role in bringing wireless connectivity to tablets, cars, and gadgets." I love that use of "gadgets" there because there's certainly a lot of those.

So with that, I want to welcome Glenn and thanks again for being here.

MR. LURIE: Good afternoon. It's kind of embarrassing because in the picture you have there, I'm wearing the same tie.

(Laughter.)

MR. LURIE: And I promise that I do have more than one tie. I really do. Thanks, Randy. I appreciate it. I know you guys have had a long day.

Let me do this. First of all, it's great to be in D.C. It's nice to be here talking some closing remarks. And if you've been doing legal talk all day, I promise you I will not go there. I've got tremendously phenomenal lawyers, but I'll let them do that. Let me talk a little about the business.

The debates, I imagine you had a couple today. I imagine you had a couple discussions. I know those folks at the FCC. I probably won't go there either, but I will take a few questions afterwards. What I really want to talk about is the industry and some trends that we're seeing. I've been asked to be uplifting at the end of the day and I will do my best to do that.

We see four really, really important trends that are taking place in the industry and I want to think about today, but also where we're headed. One of those trends is software. And when I say "software," someone's going to go, "What about apps?" Put them together. Think about that as one trend. Mobility, of course, is the business we're in and a really critical element to where we're headed. It's going to be in everything that we do.

IOT, the term is "Internet of Things." We've been in this from the beginning. We are a leader in this, but it's absolutely critical. And video. So if you put those together and you think about those – software, mobility, IOT, and video – we see these four things as being a key driver to where our business is going.

So let me dig into these. Let me start with software. Most of you have probably heard of a gentleman named Mark Andreessen. He is very famous in Silicon Valley. He came out a few years ago and said that software is eating the world. The point he was making is that software was becoming more important than hardware. That seems pretty simple today when you think about it. But the reality is software is allowing us to do a whole bunch of things very differently.

One, it's allowing us to be faster in every single way in our business. It's allowing us to be better. And when I say "better" – I'll get into that in a minute. But it's allowing us to actually do things in a faster, better, and cheaper way. It also is about flexibility and scalability. And when you think about what's happened in our business, a great example is we have traffic that's up 1,000 percent plus over the last 7 years. Think about that for a second. So our traffic on our network is up 1,000 percent. Anybody have a 1,000 percent more traffic on the way to work? How do you feel about that, right?

And so that is part of what we have to do as we go to virtualize our networks and the key to this is software. And when you think about virtualizing our networks, you're talking about taking the hardware and really relegating it to a second discussion, less expensive, not having to be very specific to where software drives everything that we do. It also is our driver to the Cloud.

So, again, I think you get it. Now, if you think about, real quick, a couple of examples, anybody take an Uber lately? I imagine most of your hands will go up. Or Airbnb? These are examples of where simply software and mobility have completely disrupted and changed industries. And I can go on and on and you guys probably could help me when you think about that disruption.

Let me move quickly, though, to mobility. Obviously, we talk about mobility. I've been in the wireless business 26 years. I was in it from the very early days. And when you think about mobility and software together, then we start talking about what really enables the Cloud. And as you think about the latencies and speeds we have today, we can talk about 5G. Everybody wants to talk about 5G, even though it's four years out. You get it up to 10 times faster, lower latencies, and the Cloud becomes real-time. That software and mobility come together and make the world accessible to that device. I'd argue it's accessible today. I'd argue you can do things today you never imagined six, seven, or eight years ago. But the speed of change is increasing.

Another great quote is from Benedict Evans, who actually works for Mark Andreessen. He came out a few years after Mark and said mobile is eating the world. So I would challenge you to put those two things together. Software and mobility is really changing everything in our lives and every aspect of what we do.

If you go back – and many of you in this room would remember in mid '07 – really the first true Smartphone was born. That was the iPhone and I was fortunate to be involved in that from the beginning. Really it was mid '08 that you actually had a 3G iPhone and you had an App Store. And that opened everybody's eyes in the industry to what's possible.

I'd ask people in this room, how many of you thought you'd be banking from a phone six, seven, eight years ago? Right? One guy. I like it. Very good.

(Laughter.)

MR. LURIE: You and I should chat. I can ask you what's happening eight years from now. But the key element is, if you think about that for a second, if I

would've asked anybody in the room in 2006 what you wanted your Smartphone to do, you wouldn't have had an answer. Now you look at what's happened so rapidly just really in seven or eight years.

Applications and platforms are changing everything, and then this is going to move me to my third key trend, which is really IOT. IOT is a new term. It used to be "connected devices," then it was "emerging devices," then it was "M2M." What it really means is that everything in your life is going to be connected – everything. Now, people don't like that. We hear from consumers that it makes them nervous. It's our job to make that simple.

We spotted this trend very early. What we spotted was a thing called the Amazon Kindle. Anybody have one? Right? Everybody. And believe it or not, it wasn't with AT&T when it started. It is now. But it wasn't with AT&T back then. Our chairman started asking questions and we actually went out and talked to customers: "What do you love about the Kindle?" They said it just works. I go, "Do you realize how the book gets there?" Nope. We had people say, "Nope, it's magic. Don't care."

(Laughter.)

MR. LURIE: What they cared about is that it worked and that it was simple. At that point, we saw ahead that really everything in our lives will be connected – everything from your home, your car, your Starbucks, your office, a Smartphone with you in between. And that's what's really changing people's lives.

Today we lead the industry in this. We got into it early. We invested early. We're continuing to go there. But really just so you think about the future, we're just scratching the surface. The projections right now are between 25 and 50 billion connected things by 2020. It's not very far off. A trillion dollars of revenue inside of

this business and that's where we're heading.

The last trend is video. And this one is an incredible trend when you think about where it's headed. We have had a massive explosion in video. I see some folks in this room that I imagine if I asked them what their TV was, this [phone] is your TV. I'm looking over there. My son, by the way, is 22 and used 22 gigs last month by himself. And I asked him could he please find a Wi-Fi hotspot. He said, "No, your LTE network's faster," which I pay for, by the way. But this is his TV and this is the future of where we're going. Sixty percent of the traffic on our networks today is video already.

Many of you may have heard we made a small acquisition in DIRECTV, about \$63 billion recently. That's the concept of bringing video together with mobility. Really, that concept is simple. I want my content, my video, anytime, anyplace, anywhere, on any device. And that's what we're going to deliver. That's what consumers are expecting.

In the business world, video has turned into every call, you're looking at somebody. The equipment prices have come down. The bandwidth is there and it's obviously a lot more personal, reduces travel, *et cetera*, and that's where that world is going.

So, in closing, these four trends are indicative of the future. If you just crunch them all together, you start to see where this industry is going. It's about software. It's about having that flexibility. It's about virtualizing everything into the Cloud. And when you have that kind of speed in our networks, and you have the kind of low latency we have, it becomes real-time and allows you to do those things. It's about everything in your lives being connected. It's about you having the control of

how that connectivity works for you.

The key to this for us is to get the volume, the velocity, whatever term you want to use, the personalization for your life, whether that be in your home, in your car, anywhere in between, *et cetera*, in the sense of mobilizing your world.

The one thing I'll leave you with is that we are leading this. The U.S. is in the lead. We are driving what is happening here, whether it's high-speed networks, whether it's IOT, whether it's Cloud. The key is we have to continue to lead this. And a lot of the discussions you had today – where we need light touch [regulation] and *et cetera, et cetera* – are going to be core to us continuing to invest in this space as we are today. Hopefully, you're going to be looking to us to invest even more tomorrow to drive this type of economy that will really change people's lives.

I would say this is really not a technical shift, a technology shift. It's a complete societal shift as we continue to move forward.

So with that, I only had a few minutes today. I hope that was uplifting.

(Laughter.)

MR. LURIE: Good. Okay, good. I'm glad. I'm getting a little chuckle. That makes me feel better. But really importantly, we are just scratching the surface of where this is going and that's the exciting part. You look at where we are today and somebody's going to want to talk about 5G. I'm glad to do that when we do some Q and A. It's just all upside as we go forward as we think about where the future is.

So thank you very much and I'm glad to take a few questions.

(Applause.)

MR. MAY: Well, Glenn has graciously agreed to take a couple questions. And again, I'll say I appreciate everyone being here. This is probably the longest

conference we've had and I'm proud of it. It's been good. But I'll tell you why your remarks were really good and important at the end, because you weren't here earlier. So much of the discussion earlier was rightly focused on policy and getting the policy right. I mentioned we did a lot of talk about the rule of law. Bob Quinn did some of that. There were some great discussions. But during the course of that there wasn't much time to really bring it down to the business level and why it matters and what's going on. And you really did that. So that's a great way to close.

Okay. With that, now we're just going to take a couple questions. I'm going to identify three people at most. Howard Buskirk here first, then the gentleman right behind him, and then maybe with Brooks. And that's going to be it. But you need to just ask a question now and don't make a statement.

MR. BUSKIRK: I have no statement. My question is about the speech that was already alluded to earlier in the week by Chairman Wheeler. We've seen this movie before speech. One of the things that he said in that was that there's been no harmful effect from the Net Neutrality Order and he pointed to your CapEx expenditures. And I think he said that you can draw the same lesson from the privacy rules, that there's not going to be any harmful business effects. You're on the business side and I'm just wondering from your perspective, especially on the privacy, what's the outlook?

MR. LURIE: I thought there were no lawyers. Hey, Bob Quinn? No, I'm kidding.

I think a couple of things. First of all, I think as we look at our spending, you need to look deeper into the exact spending. There are some statements that have been made. One of the things we've done is invested in a whole bunch of other things.

We're not just a wireless carrier anymore, right? We've invested in DTV. We've announced \$7 billion of investment in Mexico as well.

So I think when you see the numbers come out, I think investment has dropped a bit for us, specifically us. But the bottom line is the key for us to continue to have the innovation, for us to continue to invest in networks is that we have to have an opportunity, obviously, to make a fair margin, grow our business, and continue to invest. And so that's going to be the core of what we want to do going forward.

Randall Stephenson, our CEO, has said numerous times we've been the largest investor of any company in America, not just telecom, for many, many years now. He's continued to invest and we've continued to go out and be aggressive and we will continue to do that if we have the opportunity with that investment.

MR. MAY: Do you have a question?

MR. BYERS: Yes. Thank you. Hey, Glenn. Alex Byers with Politico. I wanted to ask about sponsored data. You guys have had a sponsored data program for a couple years now. It doesn't seem to be super active. As far as I know, there aren't a ton of providers. But we have seen some of your competitors, Verizon, T-Mobile getting more active in this space. Should we expect AT&T to accelerate its sponsored data activities? I mean, one thing that comes to mind is you mentioned DTV. There's the DTV mobile service coming. I was wondering if maybe we'll expect to see, if I'm an AT&T subscriber and I subscribe to DTV mobile, will that content be exempted from my monthly bill?

MR. LURIE: First of all, we were the first ones in this -- in talking about it, as you recall. We viewed it as another way for customers to get to utilize our network, another way for customers to monetize, pay, whatever term you'd like to use.

Obviously there's some rulemaking out there that we have to wait and see kind of where that goes.

We've been working very closely with a number of players and I think it's a tremendous opportunity for consumers. That's really the focus here, right, is the customer and what it delivers to the customer, but nothing more, really, to give as far as how we're going to do going forward.

MR. MAY: Okay. We'll have the last question here from Brooks Harlow.

MR. HARLOW: Thank you, Randy. Brooks Harlow, Lukas, Nace, Gutierrez & Sachs. Maybe this is an engineer's question and a few slick lawyers.

MR. LURIE: Oh, I'm an engineer too. Didn't you know that?

MR. HARLOW: Good. Excellent. So my question is where do you see the spectrum coming for 5G and I don't mean from the FCC. I mean, like, 28, 38 or some other gigahertz.

And, secondly, if it's coming from a spectrum that's typically line of sight and blocked by trees and things like that, how do you see the network evolving to support that new area of spectrum?

MR. LURIE: Well, it's a great question and whenever we answer questions about 5G, it's important to know we don't have the standard done yet. I think you guys all know 3GPP -- hopefully we'll see that in 2018. I think the key for us right now is the testing that we're going to be doing in Austin to really understand what that looks like.

When you start getting up in 28 gigahertz and that area, you're talking really about utilizing that in millimeter wave, small cell opportunities. And I think it's actually very exciting when you think about what we can do and what we believe 5G

will ultimately have and be. The key to 5G for us is obviously the faster speeds and lower latencies and all those wonderful things, but, remember, as I talked about, virtualizing our network today, we are leading the industry in that. That's going to play a big role as we look at how we then engineer that network going into 5G.

And the other play that I think is exciting is around IOT. We need a layer in 5G – it's what we're working on, it's what we believe will be in there – that will allow us to have low power. So now we can put a sensor on a traffic light or on a water main that has 10-year battery life so that the actual model does work and those types of things.

You will see us working very closely with every aspect of spectrum to make sure that we can build that into the standard. So it will be a part of what we do and how we utilize it.

MR. MAY: Well, again, Glenn, that's terrific because it brings home at the end of the day why sound policy is important and why rule of law norms are important. Because all of these things you talk about have to take place within a regulatory regime or most of it. And so it's important and we appreciate that. In fact, it was so good that I have to tell you I've got two of those coasters left. Normally, most speakers here have only gotten one. But someone didn't take it and I'm going to ask you. I hope there's no rule against it, but I'd like for you to take those last two Free State Foundation coasters with you and again, I appreciate your making time to come by today. Thanks a lot.

MR. LURIE: My pleasure. Thank you guys very much.

(Applause.)

MR. MAY: Thank you so much.

Okay. And that brings us to the end of the day, and concludes the conference. I'll say what I said at the very beginning. I always appreciate all of you turning out. I appreciate your interest in the Free State Foundation's work and our events and I appreciate your friendship. So thanks for being here.

(Applause.)

(End of proceedings.)

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