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PRESENTATION

Operator

Rich Dietz ***SBC Communications - VP IR***

Good afternoon, everyone, and thanks for joining us here today. I m Rich Dietz, Vice President of Investor Relations for SBC. On behalf of everyone here both at SBC and AT&T, welcome. We are really thrilled to be here, and we really appreciate your time and attention this afternoon.

Yesterday, we announced our agreement to acquire AT&T. We followed that with a conference call. We are here today to follow up, provide you some additional background, and to give you a chance to hear in person from the key executives, those who will be executing on this deal, this exciting new platform that the combined Company will be able to create.

Today we have Ed Whitacre, SBC s Chairman and CEO, Dave Dorman, Chairman and CEO of AT&T; both will have opening comments. Then you will hear from Randall Stephenson, SBC s Chief Operating Officer, along with 2 key operational personnel and executives of SBC.

First, John Stankey, Senior Executive Vice President and Chief Technology Officer. John is responsible for a number of the areas including network planning, IT, enterprise product platforms, data services, sales operation support, and procurement. After John you will hear from Mark Keiffer, SBC s Senior Vice President for Business Marketing. After that Rick Lindner, SBC s CFO will provide the financial wrapup and a summary of our deal. Then, finally, of course we will conclude with Qs and As.

Also with us today for the Q&A session are several additional key executives including Bill Hannigan, AT&T s President and Chief Operating Officer, and Tom Horton, AT&T s Vice Chairman and Financial Officer.

Before we get started, for those who are taking part via the Web or by phone today, let me remind you that the presentation slides for this event are available on the investor relations page of SBC s website, SBC.com.

Also I want to mention a word about the Q&A session. We will hold all the questions until the speakers are finished and have a full Q&A session; and at all times the speakers and other executives will be available on stage for that Q&A session. Today s meeting is for analysts, so ask that the analysts are the ones who ask the questions during the Q&A session. To help those who are listening

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via the Web, we ask that you identify yourself and the firm that you re representing.

Of course I need to cover our Safe Harbor statement. Information set forth in this presentation contains financial estimates and other forward-looking statements that are subject to risks and uncertainties, and actual results might differ materially. Information about the factors that may affect future results are contained in the slides accompanying this speech. They have been posted to SBC s website and are contained in SBC s filings with the Securities and Exchange Commission, which are available also at SBC s website, wwwdSEC.gov.

SBC disclaims any obligation to update and revise statements contained in this presentation based on new information or otherwise.

This presentation may contain certain non-GAAP financial measures. Reconciliations between the non-GAAP financial measures and the GAAP financial measures are available on SBC s website, SBC.com investor relations. I also want to call your attention to the information regarding SEC filings that can be found on slide 5 in your booklet.

Okay. At this point, with no further delay, it is my great honor to introduce Ed Whitacre, SBC s CEO. Ed?

Ed Whitacre *SBC Communications - Chairman & CEO*

Thank you, Rich, and good afternoon to all of you. On behalf of everyone at SBC and AT&T, let me start by saying how excited we are to be here today to present you the details of a transaction that we believe will truly transform our business.

Our agreement to acquire AT&T is a positive step forward for SBC and our stockholders. We are creating the prototype communications company for the 21st century, opening a new era of innovation and competition for customers everywhere. If you know me, and some of you do, you know I would not say that lightly.

Over the years we have been involved in a lot of deals at SBC. We have done mergers that carried a bigger price tag than this one. We have made acquisitions that gave us a larger customer base than this one. We have done those which doubled our employee count. But we have never made an acquisition that was more important to our Company s future, to our nation s role in the global communications marketplace.

The combination of SBC and AT&T puts together a terrific set of network assets, assets that complement one another very well. It adds product sets and service capabilities that will speed our development in key areas. As a result, the new Company can deliver the advanced data and IP-based services that are the future of communications, and do it much faster and more efficiently than either Company could have done it alone.

It accelerates our expansion in the enterprise space. It gives us nationwide presence and global reach. All this comes with huge synergy opportunities that start right after closing and ramp fast. We have said that we expect to gain approvals and close the transaction early next year. I expect us to beat that.

Today you will hear from operating executives responsible for delivering on the great opportunities we have. We are leaving a lot of time for questions. We will spend as much time as you want answering your questions today.

This transaction is about change. Big changes are taking place in our industry, changes that are forcing companies to confront their future. We are leading that change; we are not waiting for it to happen to us. This is a great combination. Customers will benefit. It will create value for stockholders, and the Company we are creating through this transaction and through our Cingular Wireless deal last year will be built for tremendous success in the years ahead.

It is the right products, it is the right networks, it is the right cost structure at the right time and at the right price. We have a great story to tell about the terrific opportunities ahead for our stockholders, employees, and customers. Again I want to thank you for joining us today. At this point I will ask Dave Dorman to add a couple of comments. Dave?

Dave Dorman ***AT&T - Chairman & CEO***

Thank you, Ed. I would like to echo Ed s enthusiasm for this transaction. We are truly very excited about the opportunity to combine forces with SBC, and we do believe we are creating the industry s premier communications and networking company with this transaction.

This deal allows AT&T to continue to play a significant role in building the defining entity for telecom in the 21st century. By combining with SBC now we create a Company capable of delivering advanced network technologies and a full suite of integrated communications services throughout America and around the world.

I m asked the question, why did AT&T agree to this merger, and why now? Clearly, we have moved through a period of prolonged challenge and instability in the telecom industry in the recent few years. We have had dynamic and dramatic advances in technology. We have had an ever-shifting regulatory environment. We have had intense and increased competition; and we have had fraud on the part of several of our competitors.

The combined impact of these factors has forever altered the telecom landscape and forced us to make more than our share of strategic shifts. Most recently, regulatory reversals led us to redefine our business model, stepping back from actively marketing traditional consumer services to focus our full energies on the enterprise market and the emerging technologies and product sets that we refer to as SoIP, or services over IP.

Given the continued challenges and competitive forces we re sure to face, we understand that operational scale and scope will be critically important in defining the winners and losers in this industry over the next several years and in fact the next decade.

In recent months, AT&T has sought to insure our long-term viability by building on our existing technology and scale advantages, as well as our significant financial strength and our global reach. We have made great progress in positioning this Company for the long-term and winning the opportunity to fight on and compete for the future at a time when many had written us off. I m proud of that.

Through this deal, we now have the opportunity to accelerate our growth and transformation by combining our operational and financial advantages with those of SBC. SBC has a growing and significant consumer and small-business presence, which we don t; a demonstrated commitment to broadband deployment, which we don t; a vibrant local and regional market set for voice data, DSL, wireless and the new frontier of video, which we don t.

So why now? The fact is both of us are at a point where we re fundamentally redefining ourselves, in our case moving away from traditional consumer services and towards a deeper penetration in the enterprise market, and VoIP and Wireless offerings through others and our own efforts. SBC in contrast is not a major player in the enterprise space and is instead focused on expanding their current suite of bundled service offerings to consumers and small business while beginning to play at the enterprise.

Also, from a regulatory perspective, you could not expect me not to get a chance to say it is no longer unthinkable. Going forward, this combination will allow us to continue to providing high-quality services to our customers, which they have comes to rely on, and while assuring, as Ed said earlier, that a U.S.-based firm will serve as a global leader in networking and telecommunications.

It provides AT&T with additional financial strength and stability to accelerate the innovating and investing we have been doing to change our networks and to change our business processes. AT&T brings to SBC more than just its global network, services customers, into a combined company. It also brings the people of AT&T and their unique skills and experience in competing and serving customers on a national and global basis, particularly in the business market.

I know that Ed Whitacre has enormous respect for the history and significance of AT&T as a corporate icon, and he has welcomed AT&T s people with a great statement yesterday welcome home. I know that he fully values their knowledge, their expertise, and the excellence that we bring to the table and they bring to the table. And that is a big part of the reason I believe Ed pursued this deal, taking this step which is a bold one, to reinvent this industry.

While it is certainly ironic, and many people will write and opine in the coming days, that a Baby Bell and SBC is no baby is acquiring its former parent some 20 years after the divestiture. It is the right move at the right time for both Companies, and is an exciting opportunity to reshape the future of the industry in a positive direction.

We are committing to delivering the potential synergies and efficiencies of the combined Company, and we re confident that they are achievable. The fact is this combination is good for our shareowners, it is good for our customers, and it s good for employees who now have the opportunity to play a role in building that defining entity of telecom for the 21st century.

With that, let me turn it back over to Ed or Randall. Sorry.

Randall Stephenson *SBC Communications - COO*

Thanks, Dave. It s good to be here this afternoon. You heard from me at length yesterday, so I am going to be brief here this afternoon. What I want to do is put before you a couple of our operating guys who worked extensively with Bill Hannigan and his organization in AT&T to pull together the data that gave us the conference to do this transaction, and that we can pull these synergies together that we have talked about.

I want to accomplish just a couple of things. The first is just give you a little bit of an appreciation for the kind of company we have created your here by putting these 2 companies together. Second, I want you to walk out of here with a real strong appreciation and comfort level for what it will take to bring these synergies to pass.

When you step back from this, and you have heard Dave and Ed both talk about this, the set of assets, network assets that we re bringing together is impressive. It is very impressive. You start with AT&T, they have a it is truly a state-of-the-art IP backbone that as big as just about any backbone in the world. It s got incredible capacity on it.

It s got the capacity to more than accommodate what SBC will put on this network, and we will be putting a lot on it. We have a lot of broadband customers, business customers, and we have Lightspeed, Project Lightspeed coming, where we will begin deploying IP video and carrying video over the IP backbone. So having this kind of capacity is very, very important to us.

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Add to that the national network that they have. This is a state-of-the-art national long distance network. This thing has MPLS at the core; it has it at the edge; it is as good as you are going to find in the United States. Then you extend from that national network a global presence and global network assets, and you have a network that we just think is second to none. This is a hard to duplicate network.

But now if you step back and you combine to that SBC s network assets, which are also very, very impressive, and you start with our local network, we have a very, very dense local network that covers one-third of the United States. If you think about this thing, it goes from New Haven, Connecticut, to Chicago to Dallas to San Francisco and L.A.

On top of that local dense network, we have a broadband network that is covering 80 percent of that network. On top of that we have 5.1 million broadband customers, one of the largest broadband customer bases in the United States, growing faster than anybody else s broadband customer base in the United States.

Now combine that with the largest and I would say densest, most spectrum rich wireless network in the United States that is soon-to-be fully IP capable; and you put those together, and you have what I believe is a very, very impressive set of assets.

Bring to that what AT&T is bringing to this Company, and that is a product set that is really impressive. When you talk about their IP product set, a consumer Voice over IP product we re working hard to develop something like this. It s done. They have a VoIP product set. IP VPN; unified communications. A very, very rich product set that we believe we can leverage very quickly.

If you look at just the functionality, I would tell you one of the things that impressed us the most when we looked at this organization is what this Company has done in terms of streamlining its operations on the high-end business side. Everything from ordering to provisioning to billing it is something you re not going to find in another asset in the United States.

So if you can take those critical network assets, the functionality and the product set we have talked about here, and you integrate those two, what you get are synergies that are quite frankly unlike anything that I have seen before.

We have done a lot of transactions as you know over the past, and we have done transactions where we combined Southwestern Bell and Pacific Bell. If you think about that transaction, the synergies came from overheads and IT procurement costs and then best practices between the two companies. We did the same exact thing with Ameritech. We have not done a large-scale transaction like this, where there is such an overlap of capability, where we have redundancy in some of our network assets; and as a result what we see are synergies that are quite frankly unlike anything that we have done or anything we have experienced or seen before.

If you add it up, what John Stankey and Mark Keiffer are going to show you the details of is a transaction that yields $15 billion in synergies, about the same value as the transaction itself. The great part about these synergies again because of the redundancy of the cost structures and such is that these synergies begin immediately.

This is not something that will take 3 years of IT development to create. We can begin to realize these synergies very quickly. In fact if this transaction closes in 2006, by the year 2008 we think we can take our run rate cost down by about $2 billion a year, and that that will ramp to somewhere around $3 billion by 2011. So it s a very exciting opportunity.

If $2 billion seems daunting to you, I said this yesterday and I will repeat it. Consider that in our area we re trying to ramp in the enterprise space. We have just begun and we re trying to create scale. We are spending in sales, network, operating support, customer care, somewhere at about a $1.6 billion run rate today. So am I optimistic we can get 2 billion? Yes. You throw in the procurement opportunity, IT, the corporate overheads, I think a $2 billion a year run rate savings is very, very achievable.

If you could just for a moment consider fast forwarding this tape about 3 years, and this integration has been completed, the approvals are done, and we have a company that I truly believe in 3 years has a cost lecture that is best in class. When you are computing in the environment of telecom, which is a highly competitive industry, having a cost structure that is best in class is very, very critical. It s a good position to be in, and it s an advantageous position to be in.

You add to that a service set that we have talked about already, we think you have a Company that fundamentally changes the U.S. telecom position, and it changes SBC and America AT&T s position as well. So we re very excited about this. We re very anxious to get this transaction moving. What I want to do is introduce Mark Keiffer to you, and he is going to talk to you a little bit more about the marketing and sales side of this.

Mark Keiffer ***SBC Communications - SVP Business Marketing***

Good afternoon. I think I have the opportunity to talk with you about probably the most exciting thing that is going on. Bill Hannigan and his team, along with Ray Wilkins, Bob Ferguson, and several people at SBC have had a lot of opportunity to talk with our customers since the deal has been announced.

I want to take just a minute to step back and share with you both, from a customer perspective and what our perception has been, about what the key things that we re going to be able to deliver,

again, from a customer perspective going forward. After all, they are the ones that pay our bill, and we have got to make sure that as we work through this process we re going to deliver the things that they need in order for their business to be successful going forward.

It really boils down to 3 things. What we have heard is reach, solution set, and people. What I am going to do is quickly walk you through how that comes together. Kind of tying things that Randall alluded to, as he went through his presentation, and the things that Dave and Ed talked about, what that means to customer and what we are going to be able to do with that in the marketplace.

From a reach perspective, this ties to what Randall was talking about on a dense network from an SBC perspective. The local network, not surprisingly when you look at the Southwest, the Midwest and the West, SBC brings to bear a density of our network that allows us to deliver on a regional perspective wherever our customers footprint needs us to go. Again from a customer s perspective, delivering to their footprint.

Now what you see on that map is the East Coast looks a little barren, doesn t it ? We have been working to build that out but we re not there yet.

Let me show you the next map. This is a map of AT&T s POPs. What do you see along the Eastern corridor there? A lot of density. So take the assets that SBC has, combine those with the assets that AT&T brings to bear, from a national perspective we will be able to deliver, from a customer s perspective their locations, where their branch offices are, what they need to be successful going forward.

Now lay on top of that the global network. At the high-end when a customer is global we will be able to leverage the national assets with that global network for their footprint. In the discussions that we have had with our customers this is one of the biggest things they re excited about, because no matter where their location is from the A location to the Z location we re going to be able to provide the products and services that they need to be successful. So reach, a very key element.

The second piece that comes to bear is solution set. If we take a look at the products and services that SBC brings, with the products and services that AT&T brings to the table from their perspective, what you see is a very broad and deep portfolio. But that is kind of a broad and deep portfolio of products. What customers are so excited about when they look at this is now the solutions that we will be able to deliver will be tailored to where they are in the business segment.

This is a real key point. We as a combined entity will be able to take a customer wherever they are in the technology continuum, and take them to where they need to be to enable their success.

So what does that mean? There are customers that will be on a voice network for quite awhile. They have made some investments; they have not depreciated those totally; they have got to stay with those assets until they depreciate. They may not be ready yet. That is fine.

We will be able to work with them to deliver solution sets that will enable them to be successful. They want to move up market, data perhaps; we will have the solution sets for that. The key is, wherever they are in the continuum we will be able to deliver a solution that is going to allow them to be successful from their definition of success.

The other thing that is really neat about this when you are bringing these assets together Randall alluded to this is the wireless piece. Not only will we be able to deliver this kind of the definition of technology today, but when you look at the assets as they come together sometimes I think even I get confuse on this sometimes but really it is about optics and the edge of network.

When these assets come together, we will have the ability no matter wherever technology goes, and whatever the applications may be we will be able to deliver against that.

I started with Southwestern Bell in 1982 as an engineer. The edge of the network when I started in this business was 4 walls and a central office for a switch. That was the edge of the network. Over time what we have seen happen is the edge continued to get more blurred and more blurred and more blurred.

At some point in time, this will become the edge of the network. Wherever you are, the device that you are carrying, that will be the edge of the network. We will be able to take that product suite and wrap managed services around it for those who want us to, and be able to manage that for them.

But again a competitive lever that we will have if customers want to manage that themselves that will absolutely be able to. If they want us to take care of it for them, we will be able to do you that. That flexibility has come back loud and clear to us as one of the key things that customers are excited about in bringing these Companies together.

So reach and solution set were two. The third one I talked about was people. Certainly if you look at things like certifications, formal training, things like that, from an SBC and an AT&T perspective we bring best in class human assets to the table when we talk about delivering those kinds of things.

But the other thing that we bring, and this came across loud and clear with some of the customers I was talking about yesterday, is that we can talk about we can give examples of successes that we have had, and how we can leverage those successes in that company s business. It is not a trial. It is not a first time out of the

box try for us. So we will bring a history of performance and able to deliver in the marketplace, something that we re finding to be very, very important as we move forward.

This last point has to do specifically with the accounting (ph). We are going to start very briefly talk about some of the synergies. When you look at these numbers, and I am just going to talk about the sales marketing and sales operation numbers, if you look at that you see a 17 percent reduction and a 14 percent reduction. You might say, well, those are fairly conservative, Mark. And from just a pure numbers perspective those would be.

But one of the key things for us is the account relationship that we have with our customers. As we go through the next year, getting this deal done, after the deal is closed, we are not going to allow ourselves to forget how important the relationship that we have with our customers is. That is absolutely critical.

So we will be very careful as we move through the synergies that we have from the sales force perspective because there are obviously overlaps when we bring this together we will be very careful to make sure that we do nothing to jeopardize the position that we have with our customer base.

So when you kind of step back from this and look at it from a customers perspective, loud and clear, the reach absolutely love it. The solution set that that we re going to be able to bring to the market, it is something that will enable them to be successful as they define it. And we will absolutely have the people, best in class people to deliver that solution as we go forward.

We have got a lot of synergies and opportunities that we re going to be talking about. At this time I want to ask John Stankey to come up, and he will walk us through those.

John Stankey ***SBC Communications - SEVP & CTO***

Good afternoon. Nice to be with all of you today. They don t let me out much, but they promised me a free lunch for coming up here, so I got out from my office and agreed to come. Before I jump into kind of the meat of what I would like to discuss today, I would like to just offer some observations. Some of these reinforce what Randall had to say, but a few of them I think give you kind of an operating perspective on additional things that we think might bring to the future benefits of this great combination.

Randall talked about the dense local broadband access that SBC has and marrying that with the IP infrastructure and the backbone that AT&T has. I would also say that there is an operational opportunity there in terms of SBS is real strong on Layer 1 transport and how to operate those networks on a local basis. Maybe the best in the country when you look at operational metrics. Marry that with what I m about to show you, which is clearly by far and away the best entity in managing Layer 2 and 3 networks, which is the AT&T Company.

I would also point out that we have great opportunities when we think about things like security. AT&T has done a tremendous amount of work in their labs on security offerings and how to manage these new IP networks that are evolving, that is really frame breaking in a lot of ways. SBC has market reach down to the lower segments of the market that AT&T normally could not get at, that are going to be in need of these kind of solutions and an opportunity to spread this.

IP is a wonderful technology as you think about moving that out; but it also brings with it a tremendous amount of complexity and new intellectual property that is necessary to effectively manage it. I think there is great opportunity there.

When I think about combining the technology base from a software and IT practice perspective, SBC is strong in care and billing operations; and I look at AT&T and have been incredibly impressed with what they can do around the network elements, and what they do with network element configuration and the marriage of those two strength together.

The growth in IP traffic that we are generating at the local level, they can help fill the backbone. I also think about the work we have begun to do inside of SBC around, how do we take costs out of our rural and less dense operating areas? We have been looking at wireless local loop possibilities as a way to do that, and how to use some of our spectrum position with Cingular to possibly change that paradigm. AT&T brings out of the lab some fabulous research that we believe will help jump start that paradigm, and look for an opportunity for us to alter cost structure in other parts of our local access business.

We have a world-class procurement operation inside SBC, and now we get to be unleashed on a new spend over at AT&T that we believe will net some benefit; and I will talk a little bit about that as well.

And then spent a lot of time as we were going through this looking at issues like switched access, special access, rates, and pricing, and what is going to go on there. I don t know where you come out on that, but after I have fully examined it what I have concluded is it is kind of hard to predict the future. But what I do see is a tremendous hedge on some major shifts that are going to occur in regulation over time as we look at carrier access reform, for example. This allows this combined Company to really benefit on all sides of the equation as that comes out.

So with that, let me kind of jump in to some of the key points. First of all let me talk to you about 4 execution imperatives. The first one is going to be operational cost reduction. As Randall indicated to you earlier, this is not a best practices exercise. This is a forklift of how AT&T runs their enterprise business segment, and using

those practices to take to SBC s customers. I am going to talk to you about why we think this is an achievable exercise, and why it has got great potential for us.

The second thing I want to talk to you about is scale, and Randall alluded to this as well. It is no secret to any of you in this room that transport is approaching commodity levels. If you re going to be in a commodity business, we all know what is critical to compete, which is the best cost structure around. The marriage of these two Companies takes a very dense local provider with a lot of traffic, with the largest backbone player, and brings the 2 together to aggregate an incredible amount of traffic to start out.

Now none of us are just interested in playing in the commodity business, but we believe having the lowest marginal cost structure is critical as the ticket that gets you to the dance, to be able to continue to play in the managed services space and to be able to move up the continue in IP applications that are beginning to emerge. We believe strongly that this ll put us in a cost position that will be second to none, to ensure that we maintain a position in this key commodity aspect of our business.

Third, I would tell you is capital efficiency. As IP becomes a more dominant transport architecture, there is a far more efficient way to build these flat nonhierarchical networks than how the transitional TDMA or TDM IXC ILEC networks grew up over time. We believe that in getting an opportunity to start looking at these flatter networks and engineering them as a network should be engineered and built, as one, that they re going to be tremendous opportunities that are unlocked in this process.

Further, when you think about the buying power that is brought together as you are out in the market purchasing the equipment to do this transformation to IP, we are not only going to be buying at the lowest possible price for equipment but we will have enough clout to move the vendors in the direction that we need them to move to meet our product set.

Fourth, operations integration. As I said earlier, we want to start looking at this as 1 network, not the marry of the longhaul and the local network. So finally with the combination of the merger, technology, and where regulation is going, the opportunity to begin running and operating the network as one unleashes some opportunities.

So let s dive a little bit deeper on where we think some of those immediate opportunities are going to come out of this. As it was mentioned before, SBC s been pushing real hard to get into the enterprise space. We have made a lot of progress in area, but now we have kind of taken a step back and said, it s the right time to do something different. That right time is really driven from the fact that AT&T has done an exceptional job over the last several years of streamlining and operating a very mature and very capable enterprise data business.

I put a couple of numbers up there on the board. We have been over a lot of different things, order volumes, air rates, and a lot of different things to look at. But when you kind of step back from it and want to understand the difference in scale between these two businesses in this space, AT&T is driving an order of magnitude difference of traffic in their IP backbone compared to what we have on the SBC backbone. When you get into that marginal cost issue, that is a pretty critical issue for us.

I would tell you that they re 3 times more productive on a per-employee basis to support frame and ATM services than what SBC is able to do within our internal operation. Even in the mature business of voice minutes of use, they re also over 3 times more productive a pure labor perspective than what we are at SBC.

When you look at these foundational differences, this is what begins to show the difference and the power of putting the two operations together. So let s look at what some of these points are. This is kind of the nickel tour of where we are going to be putting our time and energy.

Before I go into this, I want to point out a key difference in this particular set of operational imperatives than maybe what we have experienced in the past. You heard Randall talk about previous ILEC integration merger work that we had to do, where maybe it was more best practice focus. What is unique about this particular exercise is it is largely focused on a very contained set of operations within our business. It is focused on the enterprise data and long distance space.

We re not talking about operational evolution and change and best practice adoption in 160,000 employees at SBC. We re talking about a contained operation, and we re talk about an operation that is largely done within the 4 walls of work centers, not as much as what is done out in the dispersed field arrangement. Why that is important is because process change in those environments is usually more manageable and it s a lot easier to operate and measure over time. So this is a little bit different than what we have done in the past, and in some respects probably more straightforward.

So first let s look at engineering. There s redundant operations basically here. We have looked at our data engineering operations, where we have similar functions occurring as we engineer data networks for customers. Clearly SBC no longer needs to maintain an engineering work force out of region because we now have the assets of AT&T outside of our immediate footprint to take care of those things.

We have common legacy switching platforms, like Tandem switching on the voice side, that can be easily combined and engineered in conjunction with one another, and planning activities that will naturally overlap. In total you can say we ve got about 2,800 people involved in those activities. We expect about a 19 percent reduction overall in those activities.

Now let s look at enterprise data ordering, processing data orders for our large business customers. The bottom line here is when you look at what AT&T has been able to achieve with some excellent engineering work in their operations organization. They re able to take orders and generate orders on a much more effective and mechanized fashion than we are able to do today within SBC. We believe that we can take our volumes, traffic we have not only in our embedded base but the new customer base, and use the same operating infrastructure to achieve those same objectives within SBC.

We know we can make this kind of a transformation. We have been doing it in the past, as we have had to migrate things like different ordering platforms for DSL services between the regional companies that we have acquired in the past; as we have had to standardize frame and ATM product sets from the different regional companies that we have acquired. We think we have the tools and techniques to very quickly and rapidly move our customer base into this kind of an operating infrastructure and take the benefit of the same kind of flowthrough rate that AT&T has been able to achieve here.

Same thing on the provisioning side. Most impressive is what AT&T has been able to do to get an order to actually provision all the way through the network and configure routers. You can see the base here of about 3,600 employees. We expect we are going to take about a third out of that work group by simply taking the existing practices and the existing flowthrough rate that AT&T has been able to achieve, and overlaying them on top of work activity that occurs within the SBC Companies today.

Enterprise care functions, largely trouble management, testing a circuit, reporting something that is out of service. There has been a fabulous progress in AT&T on using Web portal capabilities for customers to use the Web to test circuits, to get information about their ticket, to report it. Again this is no rocket science; looking at what they been able to do to extract work content out of their centers, overlaying these on top of volumes that we have within the SBC Companies, and then taking the benefits out of there.

Network management, this is the exercise of basically watching network elements to make sure they are performing properly, answering alarms, responding to fix those things. We all have of similar elements in our network. We all built centers and infrastructure to watch them. The irony is we are all watching very similar routers, very similar switches, and very similar fiber facilities.

When you look at the architecture between how SBC is engineered to do this and how AT&T is engineered to do this, there is a high degree of commonality in our approach, which makes the migration of bringing these things together in a unified network management approach much easier. This is simply a matter of getting in a position where highly automated tools are watching more network elements.

Then finally, on the access management side, I can speak from personal opinion when I used to run the access business, the local wholesale support business for SBC, there is probably no finer access management organization in the industry than what AT&T has done. Not only in how they approach it, but in the costs that they re able to achieve.

Our belief is simply, why would we carry a redundant operation like this inside of SBC, when have an opportunity to leverage the best in the industry and have all of our access that we purchase go through one operation. As you can see, there s opportunities there.

So the net of this is that we feel pretty strongly about these operational changes that can occur. We believe they are very contained in what can happen; and we also believe that they re very achievable given what is already on the ground and working within AT&T today.

Now let me switch gears and talk about another labor related issue on the IT side of the house. SBC, again, has had history in integrating information technology organizations from past acquisitions. On the screen I have given you some background around historically what we have been able to achieve in that realm. We have looked at this particular transaction and we think there are similar opportunities here as well.

They are a little bit different in nature because we re not combining 2 local companies. It s a local company and an interexchange carrier. Nonetheless we think there is great opportunity. For example, corporate overheads really are not much different. Standardizing and financial application reporting, looking at human resource and payroll systems, these are all things that naturally will fall out as part of the process that we have had opportunities to look at.

Infrastructure is another place we ve typically had great success at pulling costs out. We think there s naturally going to be some additional opportunities that fall out of here. But what I want to stress to you in terms of as we ve done the financials and looked at the models around this, is that early on we actually expect incremental investment in the combined IT organizations to be able to effect some of the changes I ve talked about before.

Don t expect to start seeing run rate savings in now we have modeled this transaction until the 2009 time frame. Ultimately when those achieve full ramp we expect about an 8 percent reduction in the combined workforce in our IT organizations when we get to steady-state. Again, I would stress to you that this kind of transaction and these kind of activities have been tested over time in past mergers and what we have done.

Procurement is another important place to look. There is a 60 percent overlap in our major spend areas between AT&T and SBC in terms of the vendors that we do business with. Past practice as we have done these consolidations would result in about a 10 to 12 percent reduction in the spend of the company that we have typically picked up in a transaction.

In this particular case we have tried to be a little bit more moderate about that. We think spend intensity maybe has dropped off as capital programs have changed. Our assumption here, we are probably going to get about 5 percent out of this new spend as we move forward. But it will generate again some fairly mechanical and significant savings back to the business that will get us where we need to get.

Then there is a host of a couple of other remaining value drivers. There are places like corporate overheads on headcount and HR and legal. Ultimately, eliminating lease and transport fees like usage fees that we pay to Wildsell (ph) to carry traffic on their network, or collocation space that we rent outside of our region that we no longer need to have, or physical facilities that we may lease outside a region that are duplicative to what AT&T has. Again these are pretty straightforward, mechanical operations to achieve these kinds of changes, and they are phased in over time to allow for the transition.

So in summary, if you look at the operational headcount savings that I discussed, couple those with the numbers that Mark shared with you in the salesforce and sales operations piece, and about 58 percen