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December 30, 2005

James Galloway
Filing Clerk
Public Utility Commission of Texas
1700 North Congress Avenue
Austin, Texas 78701

RE: Project 30240: 2005 (10-01-04 To 09-30-05) Annual Progress Reports On
Five-Year Plan To Enhance Supplier And Workforce Diversity --
Telephone)

Dear Mr. Galloway:

Pursuant to PUC Substantive Rule 26.85, AT&T Communications of Texas, L.P., hereby submits its Annual Progress Report to the Five-Year Plan to Enhance Supplier and Workforce Diversity. This report covers those parts of AT&T that are "telecommunications utilities", as defined by the Public Utility Regulatory Act in 51.002(11), doing business in Texas during the four prior quarters ending September 30, 2005, including Teleport Communications Houston, Inc., TCG Dallas, and AT&T Communications of Texas, L.P. This is the final historic report for the former AT&T companies.

Please do not hesitate to contact me if you have any questions regarding this report.

Respectfully submitted,

Sharon L. Mullin by CAO

Sharon L. Mullin

w/permission

Enclosures

cc: Hon. Governor Rick Perry
Hon. Lt. Governor David Dewhurst
Hon. Speaker Tom Craddick
Hon. Rep. Pete Gallego, Chairman, Mexican American Legislative Caucus
Hon. Rep. Garnet Coleman, Chairman, Texas Legislative Black Caucus
Hon. Sen. Juan "Chuy" Hinojosa, Chairman, Senate Hispanic Caucus

WORKFORCE AND SUPPLIER DIVERSITY FORM

NUMBER OF TEXAS FULL-TIME EMPLOYEES FOR REPORTING YEAR (09/2005)													
Occupational Categories	Combined Total	Company Totals		Caucasian		African American		Hispanic		Asian		American Indian	
		Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Officials and Managers	171	99	72	74	30	6	18	18	24	0	0	1	0
Professionals	296	165	131	122	72	12	38	25	13	4	7	2	1
Technicians	166	115	51	60	24	27	17	24	9	2	0	2	1
Sales Workers	595	241	354	97	90	24	80	115	178	4	5	1	1
Office and Clerical	179	37	142	12	45	6	31	19	64	0	1	0	1
Craft Workers (Skilled)	0	0	0	0	0	0	0	0	0	0	0	0	0
Operatives (Semi-skilled)	0	0	0	0	0	0	0	0	0	0	0	0	0
Laborers (Unskilled)	0	0	0	0	0	0	0	0	0	0	0	0	0
Service Workers	0	0	0	0	0	0	0	0	0	0	0	0	0
Previous Year Totals	1967	839	1128	467	420	99	297	253	390	11	15	9	6
This Year Totals	1407	657	750	365	261	75	184	201	288	10	13	6	4

* PURA Section 52.256 applies to "telecommunications utilities" as defined in PURA section 51.002. This report does not cover those parts of AT&T that are not within the definition of "telecommunications utilities"

WORKFORCE AND SUPPLIER DIVERSITY FORM

Actual = [Total HUB(6) procurement + Total Small Business procurement]/Total Company procurement		Actual for Previous FY **	Actual for Current FY **	Percentage change
Construction Contracts (1)		4.89%	2.43%	-50.13%
Commodities Contracts (2)		7.94%	1.43%	-81.99%
Other Services (3)		27.29%	5.19%	-80.98%
Professional Services Contracts (4)		12.33%	9.68%	-21.49%
Major Equipment (5)		0%	0%	0%
Other		0%	0%	0%

(1) **Construction** -- Construction done by general contractors and special trade contractors which includes new work, additions, alterations, reconstruction, installations, repairs, remodeling, renovating, and repair of office buildings. Heavy construction other than buildings such as pipelines, communication and power lines, sewer and water mains, asphalt and concrete construction of roads, trenching, cable laying, conduit construction, land clearing and leveling.

(2) **Commodities** -- All materials, goods or tangibles purchased to conduct business, not including fuel or purchased power contracts and major equipment purchases and rentals.

(3) **Others Services** -- All specialty work, special circumstances that required contract labor, special consultants or other non-defined services. Examples include audio/visual, staffing services, landscaping, forestry, tree trimming, art and decorative services, janitorial, travel/lodging, automotive repair, and photography.

(4) **Professional Services** -- Contracted professional services which include legal, consulting, health, engineering, accounting, advertising/marketing, architectural, real estate, computer services, research and analysis, education/training, insurance, surveying services, weather services, environmental, financial, etc.

(5) **Major Equipment** -- Includes all major equipment purchases and rentals including but not limited to transmission and distribution equipment, power plant equipment, substation equipment, heavy construction equipment, fleet requirements, etc.

(6) **HUB** -- Business enterprises that are 51% owned and controlled by U.S. citizens who are socially disadvantaged because of their identification as members of certain groups, including African-American, Hispanic, Native American, or Asian Pacific and Women as defined in the Texas Government Code § 481.101(1).

(7) **Other** -- Any commodity or service not covered by the above categories.

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Data is for HUBs only. Small Businesses do not fall within AT&T's Diversity Strategy, although many historically underutilized businesses also are "small" businesses. In addition, AT&T has in place a National Commercial Subcontracting Plan in compliance with the policy of the United States Government that Small Businesses, as well as small disadvantaged and small women-owned businesses, be given the maximum practicable opportunity to participate as suppliers, contractors and subcontractors of goods and services to AT&T.

WORKFORCE AND SUPPLIER DIVERSITY FORM

(1) Describe the specific initiatives, programs, and activities undertaken under the plan during the preceding year:

AT&T's current Diversity Strategy has four planks: 1) leveraging diversity; (2) profile improvement; (3) community relationships; and (4) supplier diversity.

Supplier Diversity

It is AT&T's business goal to grow and expand our global business by continuing our focus on minority and women owned business enterprises as a value-added strategy that creates a competitive advantage. AT&T seeks to: (1) achieve continuous growth; (2) be a recognized MWBE leader; and (3) expand profitability through supplier diversity.

In pursuing this goal AT&T has put in place a wide range of initiatives to increase opportunities for historically underutilized businesses. One of the keystones of AT&T's Plan for increasing supplier diversity was continuing a strong focus on HUB awareness. Results were reviewed and plans were discussed to increase HUB procurement. The Supplier Diversity organization reviewed supplier lists and discussed upcoming bid opportunities for HUB vendors.

Throughout 2005 AT&T actively participated in tradeshow and events in Texas that promoted the use of minority suppliers. In addition, AT&T attended several events that offered potential suppliers the opportunity to introduce their company products and /or services to AT&T. Our Supplier Diversity Program staff was on-hand to educate vendors of AT&T procurement policies, requirements and bid opportunities.

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AT&T Supplier Management hosted or attended the following events during 2005.

EVENT	LOCATION	DATE
Black Enterprise Entrepreneurs Conference	Dallas, Texas	May 19-21
National Minority Supplier Development Council Annual Conference	Dallas, Texas	October 23-26

During 2005, AT&T provided financial support to several minority organizations and groups that support diversity including the Phyllis Wheatley Foundation/Hester House, United Negro College Fund, United Tribes Technical College, St. Louis Black Repertory Company, Boy's and Girl's Harbor, Highland Lakes Boys and Girls Club, CASA for Kids and Caring for Children.

Subcontracting Initiatives

In our efforts to strive for continuous improvement in our HUB initiatives, we have implemented a HUB Subcontracting Program. This program is a process for encouraging our current suppliers to help expand minority and women-owned business opportunities by establishing HUB programs of their own. The overall purpose of this program is to expand the HUB content of services that we offer to our customers in the marketplace, while expanding and broadening the available opportunities for HUBs.

The majority of AT&T's major procurement is in the area of network equipment and voice and data switching equipment. While HUBs don't typically manufacture these types of equipment, HUBs can be used as subcontractors and component suppliers when the major telecommunications companies manufacture them. AT&T continues to encourage the utilization of HUB's with our Tier 1 suppliers whenever possible when supplying AT&T's network equipment requirements.

Workforce Diversity

AT&T has continued to experience rapid changes in our business during 2005. Consumer and business long distance continue to face stiff competition. AT&T expects these lines of business to experience

WORKFORCE AND SUPPLIER DIVERSITY FORM

reductions in workforce over time. AT&T's consumer and business workforce in Texas experienced a total workforce reduction of 28.5% during 2005. AT&T managed this reduction so that the Total Minority Workforce was reduced by only 27.7%. The African American Workforce experienced a 34.6% reduction and the Hispanic Workforce experienced a 24% reduction. AT&T's current workforce profile in Texas, by employment category is shown in the workforce chart found above.

Profile Improvement

AT&T's "Business Goal" is to "continue to expand our pool of knowledge, skills, competencies and creative thinking by improving our profile in a manner consistent with applicable legal principals at all levels and maximizing our diverse workforce." AT&T's objectives are threefold:

- "Ensure, over time, that AT&T's US workforce is representative of US Civilian Labor Force availability";
- "Further improve recruitment, selection, retention and development inclusive of all dimensions of diversity to fully utilize our diverse supply of talent";
- "Ensure the availability of talent to execute the business strategy and for ongoing leadership continuity."

The following table represents AT&T's workforce by percentages of women and minorities for 2003 and 2004 compared to the Texas Civilian Labor Force (CLF):

	Women	Minorities
AT&T Texas 2005	53.3%	55.5%
AT&T Texas 2004	57.3%	54.9%
2000 Texas Civilian Labor Force	45.2%	42.1%