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Mr. Steven C. Reed
Secretary of the Commission
Post Office Box 360
Jefferson City, Missouri 65102

Re: Comments of AT&T – In the Matter of a Voluntary Docket to Study the Benefits of and to Encourage Utilities’ Efforts to Procure Goods and Services from Diverse Suppliers - File No. AO-2011-0332

Dear Mr. Reed:

AT&T is pleased to offer these comments concerning the Missouri Public Service Commission’s (“Commission’s”) inquiry regarding Missouri’s regulated utilities’ procurement of goods and services from diverse suppliers. Order Opening Repository File, April 12, 2011 (“Order”).¹ We are appreciative of the opportunity to inform the Commission of our longstanding corporate commitment to diversity and retaining diverse suppliers (Part A below). In these comments, we also provide information responsive to the ten questions which the Commission presented in its Order (Part B below).

A. AT&T’s Corporate Commitment to Supplier Diversity

At AT&T, we understand the value and importance of supplier diversity, from the perspective of our business, as well as our employees, our customers and our diverse suppliers. As a result, AT&T has been a leader in supplier diversity since 1968.

AT&T recognizes that minority, women and disabled-veteran owned suppliers bring value to our company through their unique skills and fresh ideas. Their efforts help us deliver world-class products and services to meet our customers' diverse needs and by improving our position in the communications marketplace as an innovative leader. We are extremely proud of our achievements in working with qualified “Diverse Business Entities” suppliers and enhancing their ability to participate in our corporate supply chain.

AT&T’s commitment comes from the top. As Randall Stephenson, AT&T’s Chairman & Chief Executive Officer, has stated: “At AT&T, diversity and inclusion are essential components of a successful business strategy. By respecting and including different viewpoints, we are better able to serve our customers, employees, business partners and communities.”

Tim Harden, AT&T’s President, AT&T Supply Chain & Fleet Operations, has stated: “AT&T has a rich history of commitment to supplier diversity. We care deeply about growing minority,

¹ In this letter, “AT&T” refers to Southwestern Bell Telephone Company d/b/a AT&T Missouri as well as its affiliates, some of which are regulated utilities.

women and disabled veteran businesses. Our diverse suppliers play a vital role in helping AT&T deliver the services, value and innovation necessary to serve our customers and to maintain our company's leadership position in today's competitive and dynamic marketplace. I'm proud of our record and our plans to do even more."

Similarly, AT&T Missouri President, John Sondag, has recognized the strength and value of perspectives and life experiences of a diverse workforce and further states: "Diversity is more than the right thing to do -- it is essential if our company is to be successful in the marketplace, both here in Missouri and globally."

AT&T has one of the most aggressive supplier diversity programs in the industry. In 2010, company-wide we spent \$9.2 billion with diverse suppliers (18.8% of the company's total procurement spend, and a 34% increase from the year before). Presently, we continue to work toward a goal of spending 21.5% of our procurement with diverse suppliers. Our diversity goals are:

- 15% with Minority Business Enterprises;
- 5% with Women Business Enterprises; and
- 1.5% with Disabled Veteran Business Enterprises.

AT&Ts efforts have been widely recognized. A few recent examples illustrate.

- AT&T has been recognized by the Women's Business Enterprise National Council as a Top Corporation for Women Businesses for twelve consecutive years.²
- In March, AT&T captured several top honors in The DiversityInc 2011 Top 50 Companies for Diversity®, a ranking of diversity practices among U.S. companies.³ AT&T was the only communications company to rank among the top ten companies for its overall commitment to diversity. AT&T also ranked No. 2 in The DiversityInc Top 10 Companies for Supplier Diversity.
- In April, 2011, AT&T's strong commitment to supplier diversity was recognized by a No. 2 spot on DiversityBusiness.com's "Top 50 Organizations for Multicultural Business Opportunities," which ranks the top buyers of diversity products and services in the United States.⁴
- In October, 2011, AT&T was named 2010 Corporation of the Year by the National Minority Supplier Development Council.⁵ The prestigious award was given in recognition of AT&T's exemplary achievements in the inclusion of Asian, Black, Hispanic and Native American-owned providers in its supply chain.

² Website address: <http://www.wbenc.org>.

³ Website address: <http://www.diversityinc.com>.

⁴ Website address: <http://diversitybusiness.com>.

⁵ Website address: <http://www.nmsdc.org>.

AT&T's Legal Department is also actively involved in AT&T's corporate diversity initiatives. The Department has implemented formal diversity initiatives, which include: law firm diversity efforts; hiring of diverse attorneys for in-house positions; and support of diversity organizations (such as the Minority Corporate Counsel Association, Asian American Bar Association; Hispanic National Bar Association; and National Association of Women Lawyers). In Missouri, AT&T has supported organizations such as the Mound City Bar Association and the Jackson County Bar Association. In 2011, AT&T was awarded the Legal Employer Diversity Recognition Award (honoring a legal employer for making "tremendous efforts towards achieving diversity" in the workplace) by the Washington University - Black Law Students Association. Throughout the country and in Missouri, the Legal Department tracks hours billed by women, minorities, and self-identified members of the lesbian and gay community, on AT&T matters by our outside law firms.

In short, AT&T's 43-year-old Supplier Diversity initiative remains committed to promoting, increasing, and improving the quality of the overall participation of minority, women, and disabled veteran-owned business enterprises in its supply chain.⁶

B. AT&T's Comments regarding the Commission's Questions

1. How should "diverse suppliers" be defined?

- a. AT&T generally categorizes diversity suppliers as Minority Business Enterprises, Women Business Enterprises and Disabled Veteran Business Enterprises. These categories are recognized by several leading corporate supplier diversity advocacy organizations (e.g. the National Minority Supplier Development Council, the Women Business Enterprise National Council and the Elite Service Disabled Veteran-Owned Business Network) and government agencies.
- b. Minority Business Enterprises include businesses which have been certified by a third party as at least 51% owned, operated and controlled by a minority individual or group. For this purpose, the term "minority" includes, but is not limited to Asian Americans, Black Americans, Hispanic Americans, Native Americans and other groups defined as disadvantaged by the Small Business Administration. Foreign-owned firms operating in the United States are not included in these definitions.

⁶ Further information may be obtained at AT&T's Global Supplier Diversity Website address: <http://www.attsuppliers.com>.

- c. Women Business Enterprises include businesses which have been certified by a third party as at least 51% owned, operated and controlled by a woman or women.
- d. Disabled Veteran Business Enterprises include businesses which have been certified by a third party as at least 51% owned by one or more disabled veterans. A disabled veteran is a veteran with a service-connected disability.

2. What goods and services do utilities procure from outside suppliers?

AT&T looks for opportunities to work with diverse suppliers in all aspects of its business, drawing from such fields as advertising, central office engineering, Information Technology, computing, outside plant construction and network provisioning, in the wireline, wireless, IPTV entertainment and mobile applications arenas.

These goods and services include electronic and other electrical equipment, components, industrial and commercial machinery and computer equipment, business services, automotive dealers and gasoline service stations, and building construction general contractors and operative builders.

AT&T's diversity spend areas are closely tied to AT&T's top corporate imperatives in Missouri, which include U-verse (Internet Protocol video/voice) network infrastructure buildout, wireless network construction upgrades, mobility devices, marketing programs, fleet management and alternative fuel energy conversion.

3. Who are the diverse suppliers in the state of Missouri that could serve Missouri's utilities?

AT&T conducts business with several diverse suppliers in the state of Missouri. Information regarding specific suppliers can be provided with appropriate supplier permission and/or non-disclosure agreements.

AT&T's Supplier Diversity Group has an excellent relationship with several Missouri women, minority and disabled veteran councils and other organizations that advance the goals and interests of diverse suppliers. We actively participate in their awareness and networking events designed to achieve their organization's goals, and we have worked directly with many of their diverse supplier members to help develop their business opportunities. A few examples include the St. Louis Minority Development Council, the Elite Service Disabled Veteran-Owned Business Network, the Hispanic Chambers of Commerce of Metropolitan St. Louis and Greater Kansas City and the Missouri State Chamber of Commerce.

4. Which utilities already have supplier diversity programs in place?

The AT&T Supplier Diversity program began in 1968 and, as noted earlier (in Part A) is recognized as a best-in-class initiative. AT&T companies participating in the Supplier Diversity program in Missouri include AT&T Missouri, AT&T Advanced Solutions, AT&T Long Distance and AT&T Mobility.

AT&T has implemented a number of supplier diversity programs and related strategies. In 2010, the Supplier Diversity Group was responsible for developing and implementing the following programs and strategies that helped AT&T achieve its diversity goals:

- Tracking and reporting supplier diversity spend results;
- Ensuring supplier diversity regulatory compliance;
- Encouraging business development;
- Responding to prospective diverse supplier inquiries;
- Internal and external stakeholder management;
- Supplier diversity communications and training;
- Enhanced process improvements and project management; and
- Supporting supplier diversity outreach events.

5. Among those utilities that have a supplier diversity programs in place, how is success measured?

Generally speaking, as noted in its response to Question No. 9, AT&T's policy is to select suppliers that offer the best overall value, one component of which takes into consideration minority, women and disabled veterans business enterprise participation.

Additionally, AT&T has sought year-over-year "spend" enhancements and, as noted earlier (in Part A) has achieved excellent results in this regard. AT&T has one of the most aggressive supplier diversity goals in the industry and it is presently working to reach 21.5% of its spending with diverse suppliers. Our diversity goals, as also noted earlier, are:

- 15 percent with Minority Business Enterprises;
- 5 percent with Women Business Enterprises; and
- 1.5 percent with Disabled Veteran Business Enterprises.

Success is otherwise achieved by such results as the following 2010 AT&T Prime Supplier Program accomplishments:

- A dedicated resource was assigned to manage the program;
- Launched prime supplier -- designed to expand the horizon of contract opportunities;
- Increased focus on prime suppliers with low utilization; and

- Produced two summits which engaged prime supplier companies: an Advertising Summit and a Finance Summit.

6. What incentives might encourage utilities to procure goods and services from diverse suppliers?

More and more companies have recognized that diverse suppliers play a vital role in helping to deliver the high-quality services, value and innovation that consumers expect and demand. For these reasons, AT&T works to maintain an inclusive supply chain. Minority, women and disabled-veteran owned suppliers bring value to our company through their unique skills and fresh ideas. Their efforts help AT&T deliver world-class products and services to meet our customers' diverse needs and by improving our position in the communications marketplace as an innovative leader.

7. What barriers exist that might discourage utilities from procuring goods and services from diverse suppliers?

In AT&T's experience, there is none which cannot be overcome. AT&T has found that there are numerous resources, collaborative efforts and corporate programs which share best practices to assist companies in procuring goods and services from diverse suppliers.

8. What barriers exist for diverse suppliers seeking to work with regulated utilities?

In AT&T's experience, there is none which cannot be overcome. Companies with supplier diversity programs and initiatives, such as AT&T, provide diverse suppliers access, resources and procedures to encourage and help them seek available business opportunities.

9. How do utilities currently seek vendors and do current selection methods tend to create barriers for diverse suppliers?

AT&T's policy is to select suppliers that offer the best overall value. Factors which contribute to determining the best overall value include minority, women and disabled veterans business enterprise participation, as well as the cost of the product or service, the management strength of the supplier, the supplier's ability to control overhead costs, the supplier's emphasis on providing quality products and services, and the level of support services, technical depth and related capabilities available to the supplier.

AT&T works closely with our prime suppliers concerning greater utilization of diverse suppliers within their supply chains. AT&T offers coaching and mentoring to help these companies develop their own diverse supplier programs. For example, in 2010, the President of AT&T's Supply Chain and Fleet Operations sent a letter to our prime suppliers to set forth AT&T's

expectations and reinforce its commitment to supplier diversity. AT&T works with our prime suppliers to:

- Establish or enhance their own supplier diversity program;
- Develop an annual plan outlining how their company can provide better business solutions by working with Minority Business Enterprises; Women Business Enterprises and Disabled Veteran Business Enterprises;
- Develop monthly reports that show progress toward supplier diversity goals; and
- Submit diversity plan annually.

10. Are there "best practices" that can be adopted to facilitate and encourage procurement of services from diverse suppliers?

There are numerous resources, collaborative efforts and corporate programs that share established best practices to facilitate and encourage procurement of goods and services from diverse suppliers. Supplier Diversity best practices also are documented and shared by organizations such as the National Minority Supplier Development Council and the Women's Business Enterprise National Council.

AT&T has developed and implemented several innovative programs and initiatives designed to mentor and develop diverse businesses and to expand the use of diverse suppliers within the AT&T supply chain. Below is a summary of some internal and external programs AT&T has implemented.

AT&T Women of Color Business Growth Initiative

In 2010, AT&T graduated seven minority women owned businesses from the AT&T Women of Color Business Growth Initiative. This program also helped women businesses gain TL9000 quality certification (of the International Organization for Standardization, or "ISO," for telecommunication companies) and mentored them on more than six core competencies needed to compete in global supply chains. Additionally, the Women of Color Business Growth Initiative positioned the seven participants with prime suppliers and internal AT&T business unit leaders where they were able to showcase their business solutions. Two of the seven participating companies received contracts in 2010.

Disabled Veteran Business Enterprises Development and Sourcing

The AT&T Supplier Diversity Disabled Veteran Business Enterprises program remains a key focus. We participate through coaching, mentoring and supplier diversity outreach events where attendees meet with AT&T employees and other corporations to discuss various supply chain solutions. Additionally, AT&T invited several of our key prime suppliers to join us at these events in an effort to increase Disabled Veteran Business Enterprises spend. AT&T continues to

work closely with our prime suppliers concerning greater utilization of Disabled Veteran Business Enterprises in their supply chains. As a result of these collective efforts, 15 new Disabled Veteran Business Enterprises suppliers became subcontractors to AT&T.

The AT&T Prime Supplier Program

An essential program in place since 1989, AT&T's Prime Supplier Program has been helping our prime suppliers increase the utilization of minority, women and disabled-veteran owned businesses in our supply chain through subcontracting and value-added reseller arrangements. Our prime suppliers are vital to the success of AT&T Supplier Diversity, as reflected in the information provided in response to Question No. 5.

The AT&T Prime Supplier program has helped our prime suppliers to: (1) establish or enhance their own supplier diversity program; (2) develop an annual plan outlining how their company can provide better business solutions by working with minority, women and disabled-veteran owned businesses; and (3) develop monthly reports that show progress toward supplier diversity goals.

AT&T "Meet the Primes" Matchmaker Events

In 2010, AT&T Global Supplier Diversity launched a series of matchmaking events. Speakers included AT&T Sourcing leaders and existing successful diverse business leaders from AT&T's supply chain. At the Matchmaker events, prime suppliers and AT&T business unit decision makers met with qualified prospective diverse suppliers to discuss business opportunities. The Matchmaker program continues to be a focus for 2011 -- an event was hosted in Atlanta in March 2011.

Diverse suppliers were invited to the AT&T Meet the Primes Matchmaker event through diversity councils, chambers and community-based organizations such as:

- Local and National Minority Supplier Development Councils
- Small Business Association;
- Women's Business Enterprise National Council;
- Disabled Veteran Business California Alliance; and
- Service Disabled Veteran Owned Business.

Executive Education Programs

In 2010, the AT&T Executive Education Program provided 12 scholarships for diversity suppliers to attend educational programs at leading graduate schools. These graduate-level executive management training programs assist diverse businesses in their pursuit of operational excellence and provide expert coaching and tangible business benefits to incumbent and prospective diverse suppliers.

Below is a list of the educational opportunities that were provided:

- Anderson School of Business, UCLA
- FastTrac Small Business Program, Georgia State University
- Kellogg School at Northwestern University
- Tuck School of Business at Dartmouth College
- University of Madison, Wisconsin.

Through financial grants, AT&T provided affordable access to high quality education and training for small diversity companies. AT&T worked closely with universities to advertise and recruit diverse business enterprise suppliers into their educational programs and assisted them in identifying ways to improve processes for future sessions. Additionally, AT&T designed and launched two supplier development programs, the UCLA Business Technology Assistance Program and the Micro-enterprise Technical Assistance Program, both of which focus on growing small diverse businesses outside of the traditional coaching and mentoring programs

The AT&T Supplier Diversity team will continue to build on our legacy of success. In particular, we will continue to focus on increasing diversity participation in the growing areas of our business, including:

- Mobility
- Network Broadband
- Cloud Computing and Application Services
- Content Programming
- Energy Efficient Fleet

In closing, AT&T wishes to express its appreciation for the opportunity to offer comments in the Commission's Voluntary Docket. AT&T is committed to promoting and improving the quality and overall participation of certified diverse suppliers in its supply chain. Diverse suppliers help AT&T meet customer requirements, lead to better business solutions and inspire greater customer loyalty. Providing opportunities for minority, women and disabled-veteran owned businesses makes good business sense and is a part of AT&T's strategy to deliver the best for our customers.

Respectfully,



Jeffrey E. Lewis