

**REDACTED – FOR PUBLIC INSPECTION**

August 21, 2006

**BY ECFS**

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 Twelfth St., S.W.  
Washington, D.C. 20554

Re: AT&T Inc. and BellSouth Corporation, Applications for Approval of  
Transfer of Control, WC Docket No. 06-74

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Dear Ms. Dortch:

In further support of AT&T's submissions on merger efficiencies and cost savings, AT&T submits the following supplemental information:

**(1) ADVERTISING SAVINGS:**

AT&T's *ex parte* submission dated August 10, 2006 (the "August 10 Submission"), contains a tab for "Advertising." In that spreadsheet, AT&T **[begin highly confidential information]**

**[end highly confidential information]** arrived at savings of \$500 million per year (Row 51). As can be seen in this spreadsheet, these savings are calculated based on **[begin highly confidential information]** **[end highly confidential information]**.

The figures calculated in the August 10 Submission are reflected in Exhibit 53 to the Response of AT&T Inc. to Initial Information and Document Request Dated June 23, 2006, which AT&T filed on July 11, 2006 ("Exhibit 53"). At page 12, Exhibit 53 shows the total net present value of advertising synergy **[begin highly confidential information]** **[end highly confidential information]**, and page 13 reflects the \$500 million per year cost savings.

Finally, Exhibit 53, at page 16, describes the advertising cost savings as stemming from the efficiencies of consolidating the AT&T, BellSouth, and Cingular brands into one brand. These savings are expected to come from two primary sources: a reduction in

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current advertising overlap, and an increase in advertising buying power. Currently, there is significant overlap in advertising across the three companies, particularly with Cingular in each of AT&T's and BellSouth's regions. Much of the overlap in advertising is related to maintaining the three brands; thus by moving to one brand, AT&T expects to achieve significant cost savings. For example, AT&T anticipates that after the merger, it might run national advertising that promotes both its wireline and wireless services in one advertisement. In addition, by combining the advertising buying of the three companies, AT&T expects that it will be able to negotiate better rates to achieve more cost savings.

**[begin highly confidential information]**

**[end highly confidential information]**

**(2) ATTRIBUTION OF ADVERTISING SYNERGIES:**

**[begin highly confidential information]**

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**[end highly confidential information]**

We trust this information clarifies how AT&T modeled the anticipated cost savings from combining advertising expenditures.

This letter includes detailed and disaggregated quantification of merger integration benefits and efficiencies. The letter accordingly has been redacted pursuant to the Second Protective Order in this proceeding.<sup>1</sup> The complete letter will be made available for inspection, pursuant to the terms of the Second Protective Order at the offices of Crowell & Moring LLP. Counsel for parties to this proceeding

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<sup>1</sup> *In re AT&T Inc. & BellSouth Corp. Applications for Approval of Transfer of Control*, WC Dkt No. 06-74, Second Protective Order, DA 06-1032 (rel. July 7, 2006).

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should contact Jeane Thomas of that firm at (202) 624-2877 to coordinate access. AT&T is also providing to the Staff unredacted copies of this letter.

Sincerely,

/s/ Gary L. Phillips

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