



CORPORATE REAL ESTATE

Strategy & Portfolio Group

**CoreNet Global  
Discovery Forum**

**13<sup>th</sup> - 14<sup>th</sup> January 2004**

**Chicago, IL**

# SBC Corporate Overview

- Leading data, voice and Internet services providers
  - full range of voice, data networking and e-business services
  - directory advertising and publishing
- Fortune 50 company
- Nation's leading provider of high-speed DSL Internet access
- 55 million access lines nationwide
- Joint ownership (60%) of America's second largest wireless company
  - Cingular Wireless – which now serves more than 23 million wireless customers
- SBC Long Distance provides long-distance services to more than 11.5 million access lines in 13 states
- Named World's Most Admired Telecommunications Company by Fortune Magazine for 6 consecutive years

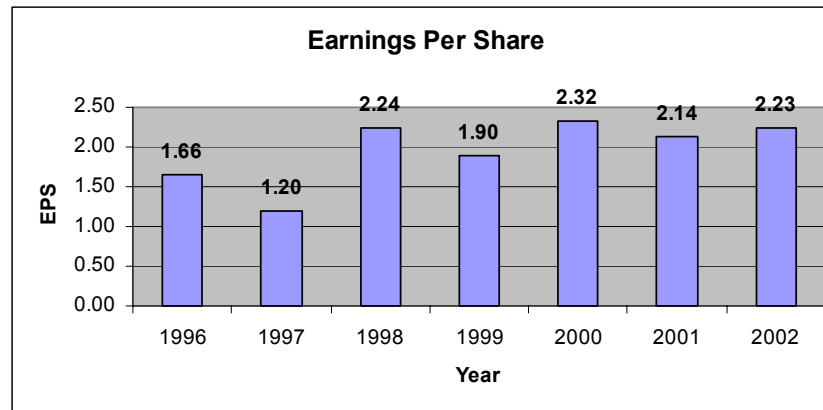
# SBC Corporate Overview

**2002 operating revenues**

**\$43.1 Billion**

**2002 Net Income**

**\$5.7 Billion**



# SBC Corporate Overview

The SBC network has a portfolio of high-speed data transport capabilities, including 7.6 million miles of fiber strands, nearly 10,000 SONET rings, 950 frame relay nodes, more than 300 ATM-switching elements, thousands of routers and hundreds of remote access servers.

# SBC Corporate Overview

Nearly one half of the Fortune 500 are headquartered in states served by SBC companies.

The SBC portfolio of international investments, encompassing companies with operations in 26 countries, includes major full-service providers as well as leading wireless operators



# SBC Corporate Overview

Since the enactment of the Telecommunications Act in February 1996, SBC Communications has completed several acquisitions to establish itself as a national provider with 168,000 employees

- Ameritech (1999)
- Southern New England Telecommunications (SNET, 1998)
- Pacific Telesis Group (1997)

# SBC Corporate Overview

SBC affiliates provide wireline service to customers in 13 states - covering about one-third of the U.S. population.



# CRE Organization

## Organizational Structure

### Functional Teams

Strategic Planning

Transactions

Design & Construction (including Tactical Planning)

Property Management

Environmental, Safety and Health

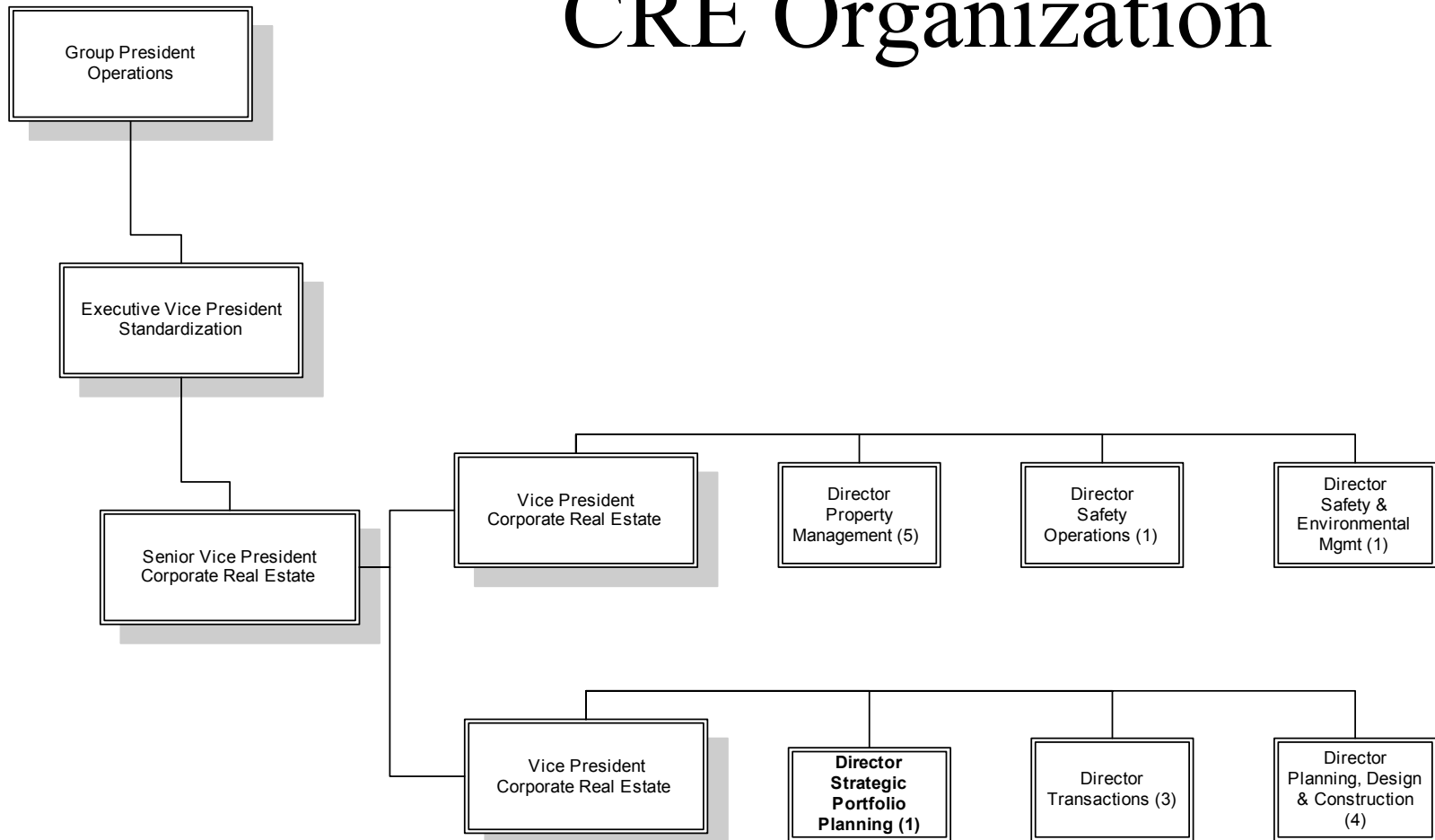
### Cross functional regional teams

Portfolio Rationalization Teams are responsible for planning, analyzing and implementing various portfolio reduction strategies to further reduce SBC's real estate costs and eliminate surplus properties.

They coordinate the implementation of disposition initiatives at the regional level and serve as cross-functional team leads for disposition, financing, exchange and other portfolio initiatives.



# CRE Organization



# Regional CRE Offices

Dallas, TX – CRE Headquarters

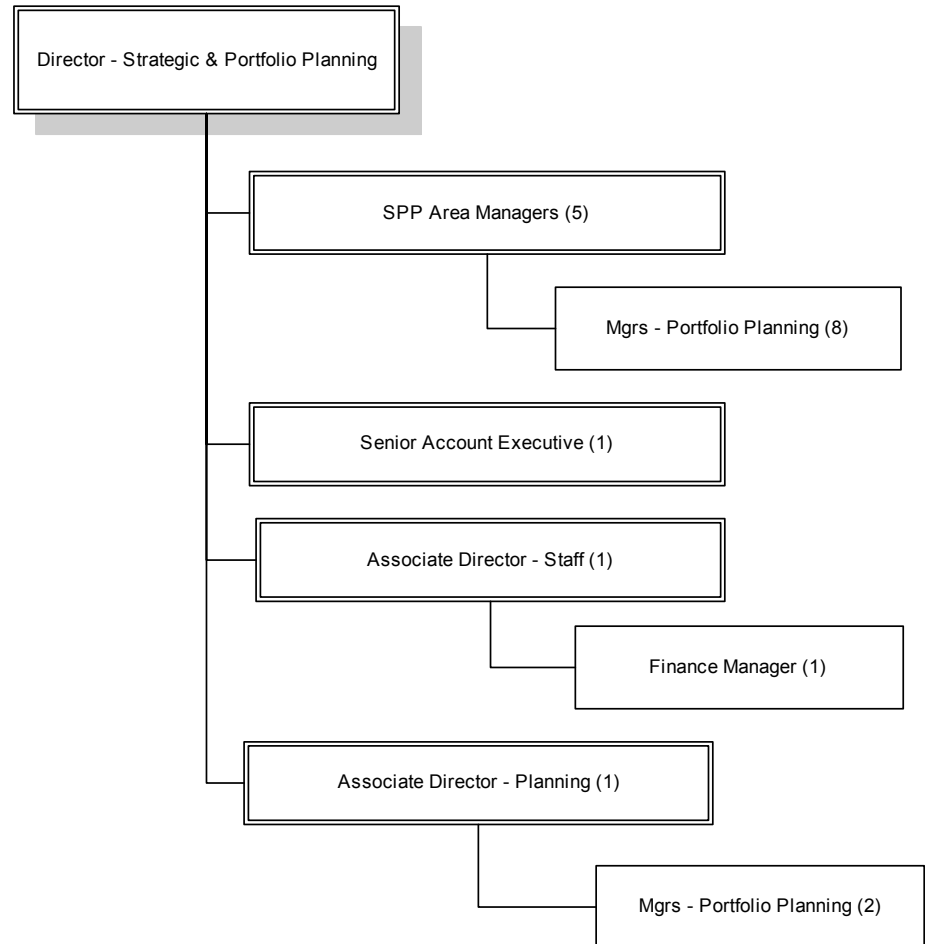
San Ramon, CA

Chicago, IL

St Louis, MO

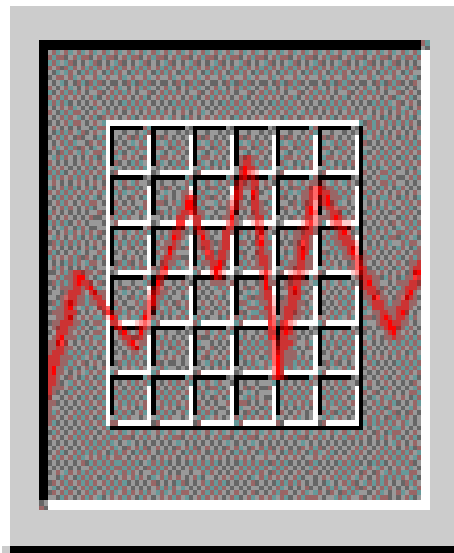
New Haven, CT

# SPP Organization



**To match the growing demand for telecommunications services during the 1990's,**

**SBC increased the size and scope of the real estate portfolio through a series of mergers and acquisitions.**

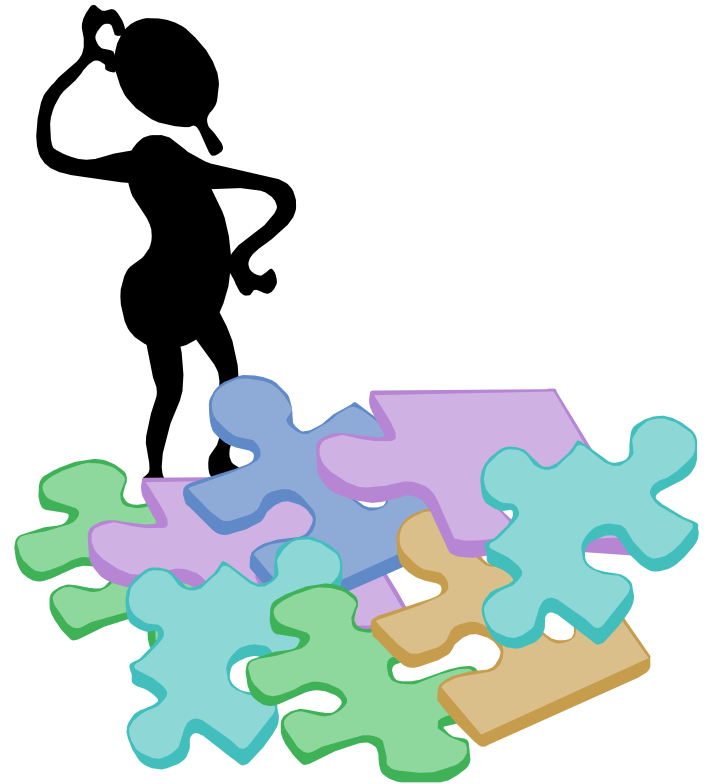


**The economic downturn at the end of the decade resulted in a loss of revenue and created pressure to reduce costs and enhance efficiency throughout the corporation.**

**Real Estate was no exception.**

**The real estate planning group in each of the companies acquired through a merger, utilized unique processes and methodologies for strategy development.**

**This lack of standardized planning procedures resulted in inconsistent and uncoordinated strategies across the regions.**





## **CRE initiated a three-part approach to overcome disparate regional and business unit planning**

### **First**

CRE performed portfolio-wide analysis, incorporating business unit, regional and metropolitan perspectives to identify portfolio optimization opportunities

### **Second**

The Metro Plan Process introduced consistent analytical criteria in the determination of an optimum portfolio strategy

### **Third**

The Client Portfolio Planning Process was introduced to review portfolio plan recommendations with the business units to ensure continuous alignment with business needs

# Step One

## Issue

Uncoordinated and disparate regional and portfolio planning provides a fragmented view of the portfolio and hinders identification and implementation of optimization opportunities.

## Solution

CRE performs portfolio-wide analysis, incorporating business unit, regional and metropolitan perspectives to identify portfolio optimization opportunities

## Step Two

### Issue

Portfolio planning does not apply uniform analysis in strategy development

### Solution

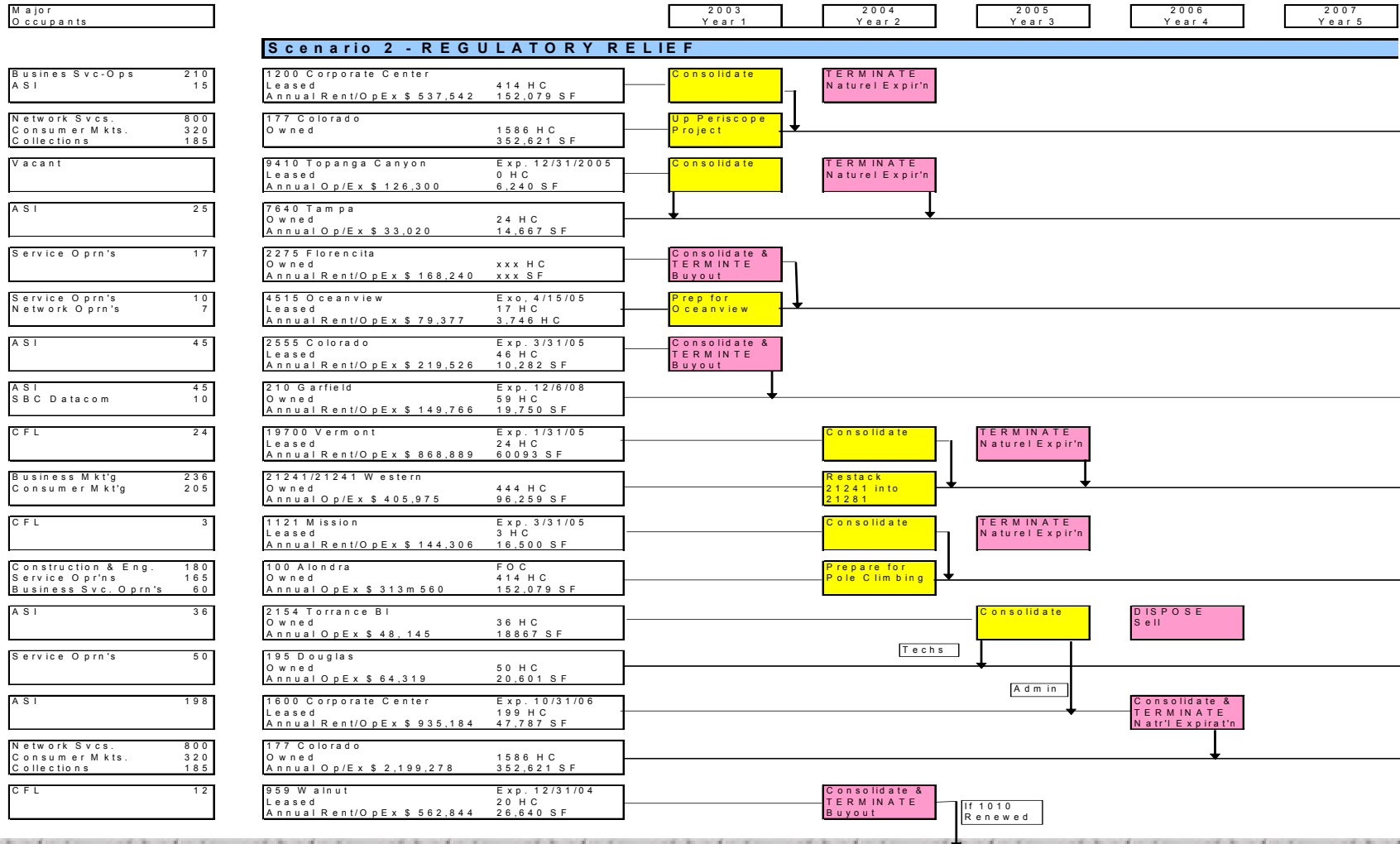
The Metro Plan Process incorporates rigid financial and business needs analytical criteria in the determination of an optimum portfolio strategy

## Metro Plans

### *Key Elements*

- Baseline Identification
- Portfolio Profile
- Recommendation Financial Analysis (FMO/PMO)
- Capital/Expense Budget Requirements
- Timeline (Spider Diagram)

### Metro Plan Spider Diagram





## Step Three

### Issue

Portfolio planning does not ensure long-term alignment with the business units

### Solution

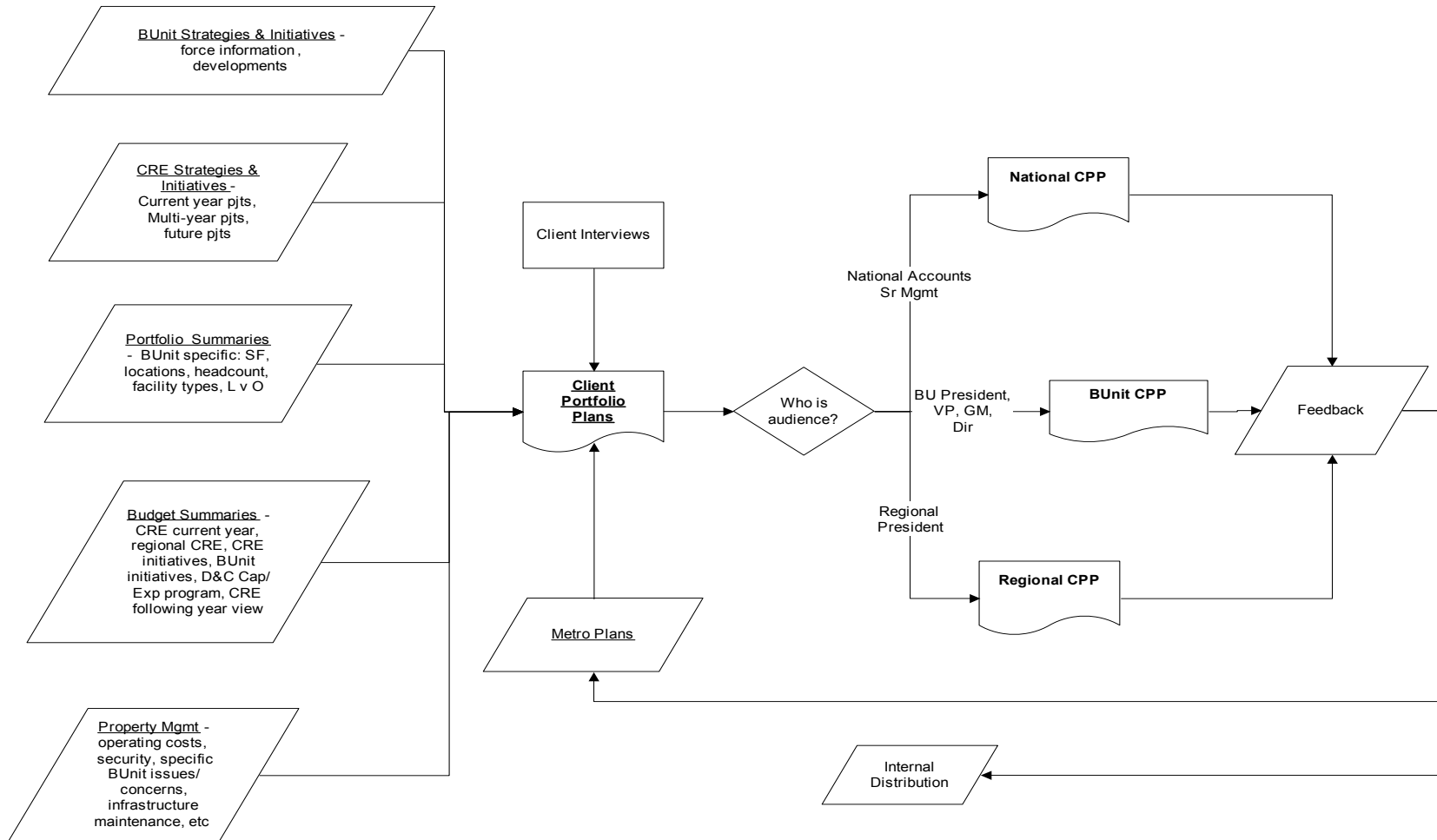
CRE uses the Client Portfolio Planning Process to review portfolio plan recommendations with the business units to ensure continuous alignment with business needs

## Client Portfolio Plans

### *Key Elements*

- Portfolio Summaries
- Business Unit Initiatives
- CRE Initiatives
- Budget Summaries
- Property Management Concerns
- Metro Plans
- Client Interviews

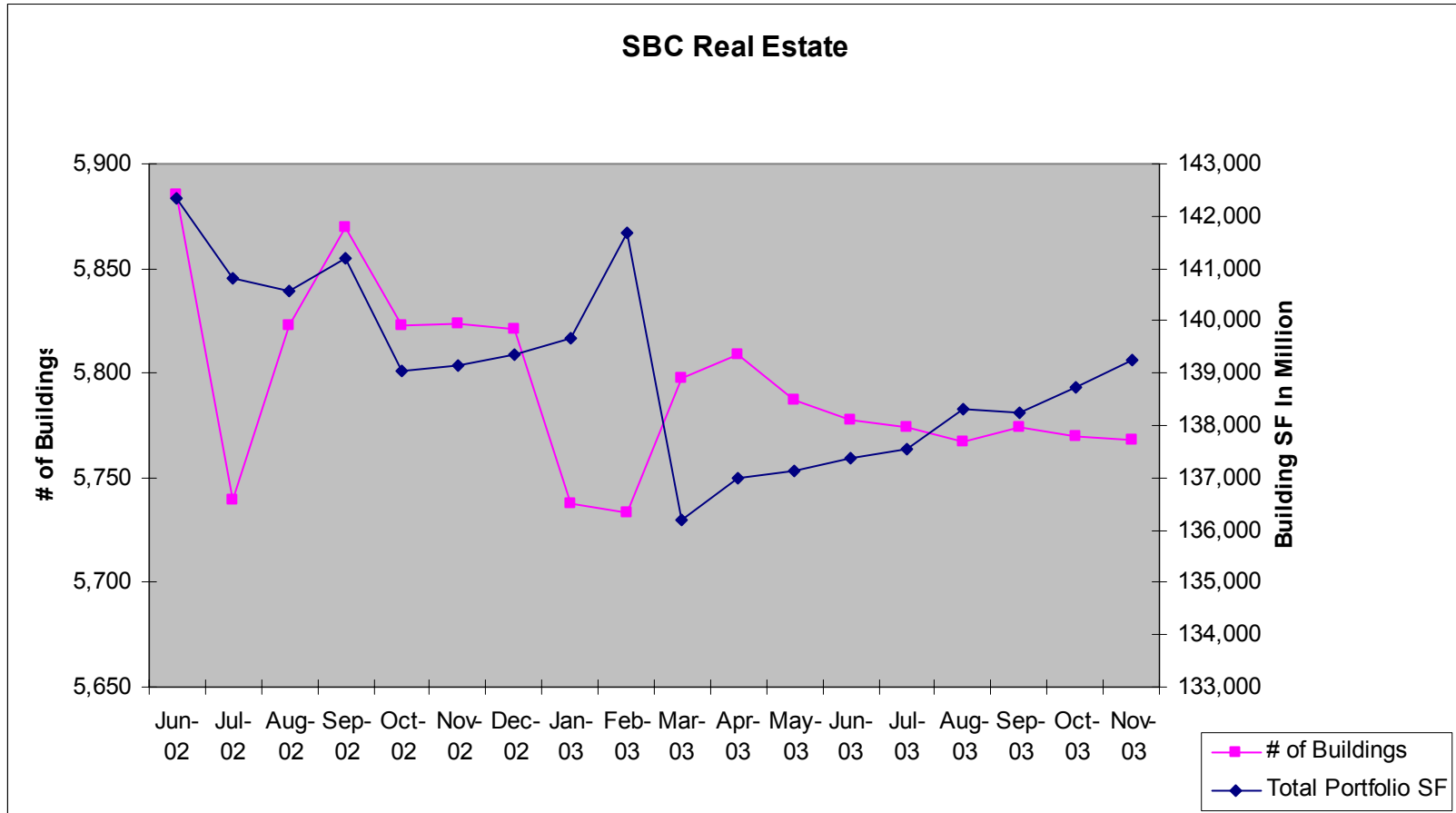
# Client Portfolio Plan



# Annual Schedule

ID	Notes	Task Name	Duration	Start	Finish	Resource Names	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter	
							Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
1	Abbrev. CPP	Budget Information	22 days	Wed 01/15/03	Thu 02/13/03	Denise McKinney											
2	Abbrev. CPP	CPP Preparation	10 days	Mon 01/20/03	Fri 01/31/03	SPP Area Mgr											
3	Abbrev. CPP	Abbreviated Regional CPP Presentations	23 days	Mon 02/17/03	Wed 03/19/03	Manning et al											
4	MP	Evaluate and select metro area(s) for metro plans	31 days	Mon 02/17/03	Mon 03/31/03	SPP											
5	Abbrev. CPP	Follow-Up - Issue Minutes, Complete Action Items	23 days	Thu 02/27/03	Mon 03/31/03	SPP Area Mgr											
6	Network CPP	CPP Preparation	10 days	Wed 03/12/03	Tue 03/25/03	SPP Area Mgr											
7	Network CPP	Network CPP Presentations	20 days	Mon 04/14/03	Fri 05/09/03	Manning,et al											
8	MP	Business Unit Meetings	22 days	Tue 04/01/03	Wed 04/30/03	SPP											
9	MP	Tactical / D & C / Property Mgmt Meetings	22 days	Tue 04/01/03	Wed 04/30/03	SPP											
10	Network CPP	Follow-Up - Issue Minutes, Complete Action Items	23 days	Wed 04/23/03	Fri 05/23/03	SPP Area Mgr											
11	MP	Finalize Metro Plan	15 days	Thu 05/01/03	Wed 05/21/03	SPP											
12	MP	Review financials / budget impact with SPP Finance	7 days	Thu 05/22/03	Fri 05/30/03	Dean Peterson											
13	MP	Metro Plan Presentations	21 days	Mon 06/02/03	Mon 06/30/03	SPP											
14	MP	BU Presentations / LOC Preparation	23 days	Tue 07/01/03	Thu 07/31/03	SPP											
15	Complete CPP	Budget Information	30 days	Fri 07/18/03	Thu 08/28/03	Denise McKinney											
16	Complete CPP	Regional Portfolio Summary Graphs	10 days	Fri 08/15/03	Thu 08/28/03	Nancy Camden											
17	Complete CPP	CPP Preparation	23 days	Mon 08/18/03	Wed 09/17/03	SPP Area Mgr											
18	Complete CPP	Regional CPP Presentations	23 days	Wed 10/15/03	Fri 11/14/03	Manning,et al											
19	Complete CPP	Follow-Up - Issue Minutes, Complete Action Items	23 days	Mon 10/27/03	Wed 11/26/03	SPP Area Mgr											

# Portfolio Comparison\*

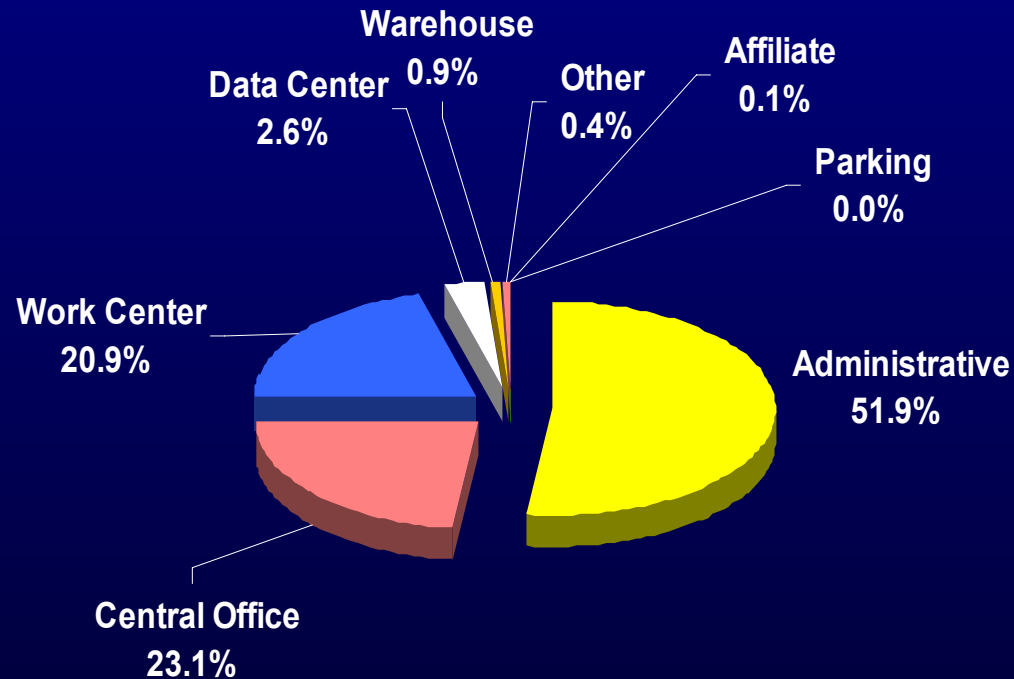


\* Includes all asset classes except CEVs, Huts



# Portfolio Summary \*

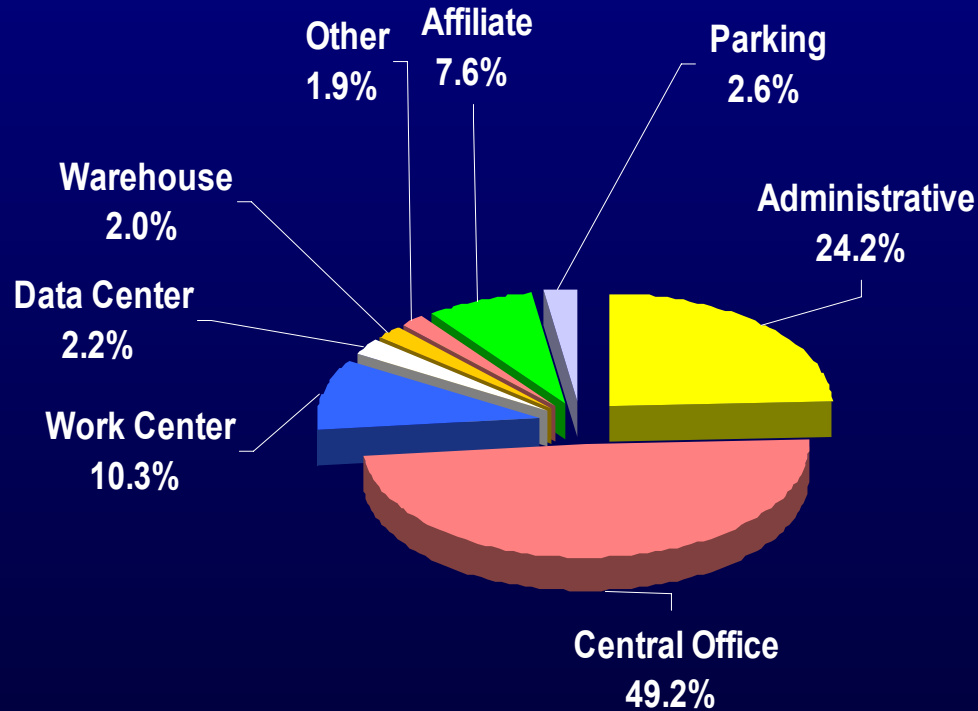
## Portfolio Headcount Breakdown by Primary Asset Class



\* Nov 2003

# Portfolio Summary \*

## Portfolio Space Breakdown by Primary Asset Class

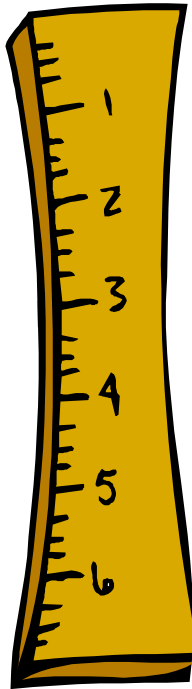


\* Nov 2003

# CRE Metrics

- Rent reduction
- Portfolio Value Realized
- Portfolio Reduction (SF)
- Primary Administrative Space Density
- Workstation Density
- Workstation Utilization / Vacancy
- General Contractor Conditions (% of construction expense)
- Construction Cost/SF
- Job Completion on Budget
- On-Time Job Completion
- D&C Attributable FCC Outages
- Operational Interruptions
- Client Satisfaction

# SPP Metrics



- Client Satisfaction
- Project Initiation
  - Elapsed time between receipt of a client request for services and the delivery of an actionable decision
  - Elapsed time between receipt of client approval and completion of the approval document
- Preparation and presentation of Client Portfolio Plans
- Metro Plan recommendation input into business plan

# What's Next?

- Further portfolio rationalization
  - Regional cross functional team responsibilities
  - Project Greenlight
    - JLL, Equis, CBRE
- Further process improvements
  - Project Implementation shortfall – Why? How to improve?
  - Metro Plan and CPP debriefing for CRE
- CRE Annual Report
- Beyond NPV
- National Portfolio Strategy
  - Corporate Portfolio Analytics & Torto Wheaton Consulting



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