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Focal Communications Corporation of Texas

Annual Progress Report on Five Year Plan to Enhance Supplier and Workforce Diversity

This is submitted on behalf of Focal Communications Corporation and its subsidiary entity, Focal Communications Corporation of Texas, hereafter referred to as "Focal." Pursuant to P.U.C. Subst. Rule 26.85, Focal's annual progress report on its Five Year Plan to enhance supplier and workforce diversity for the period of October 1, 2001 through September 30, 2002 is detailed below.

Workforce Diversity

"The goal of Focal Communications Corporation ("Focal") is to recruit, retain and develop a diverse workforce; to be recognized as an employer which supports diversity; and to communicate Focal's diversity commitment to associates to drive action throughout the organization and thereby be recognized as the employer of choice."

On September 30, 2002, we had 73 employees in our Dallas and Houston office locations. (Please note this number is less than the number reported last year due to several small reductions in force that took place). Seventeen employees self identified as belonging to a minority group. As a percentage of all employees, minority representative increased during the past 12 months. Details can be found on the attached Exhibit A (Workforce & Supplier Diversity Form).

As part of Focal's commitment to have a diverse workforce, Focal has in place a formal Affirmative Action plan. A copy of our policy is attached. Our goal is to increase minority representation in our management and sales force and increase female representation in our technical staff.

To this end, Focal has used its internal referral bonus program to encourage its diversity candidates to recruit other diverse candidates. Focal also posts all of its positions on its website and has posted open positions as appropriate to diversity websites and has attended minority job fairs.

Focal will continue with these efforts and monitor its diversity employment practices through the Affirmative Action Plan.

Procurement

The Company is unable to provide historical data regarding contracting with small and historically underutilized businesses since no data was collected prior to January 1, 2000.

During the reporting period, as a result of actively searching for minority vendors our Dallas office engaged Dependable Cleaning Concepts and spent approximately \$8500. We also have used Angiel Electrical for running power to our space. We also began working with the Hispanic Chamber of Commerce and the African American Chamber of Commerce on vendor sourcing and marketing initiatives with its member organizations.

In our Houston office, we continue to work with the Hispanic Chamber of Commerce on vendor sourcing and lead sharing. In addition, as a result of our work with MWBE (Minority and Women Business Enterprises) to develop business opportunities, we engaged Warren Electric Group.

Unfortunately, due to system constraints we are still unable to report on dollar values associated with minority vendor usage.

We are committed to developing additional opportunities to use small and minority owned business in the State of Texas.

WORKFORCE AND SUPPLIER DIVERSITY FORM

NUMBER OF TEXAS FULL-TIME EMPLOYEES FOR REPORTING YEAR														
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	11	6	5	6	4		1							
Professionals	6	2	4	3	1			1			1			
Technicians	9	8	1	5		1		2	1					
Sales Workers	35	19	16	17	14		1			2	1			
Office and Clerical	12		12		6		3		2				1	
Craft Workers (Skilled)														
Operatives (Semi-skilled)														
Laborers (Unskilled)														
Service Workers														
Previous Year Totals	93	53	40	47	28	2	6	3	3	1	2	0	1	
Year Totals	73	37	36	31	25	1	5	3	3	2	2	0	1	

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)	-		\$9165.94	
Commodities Contracts (2)	UnKnown			
Other Services (3)	\$4800.00		\$8500.00	
Professional Services Contracts (4)	Unknown			
Major Equipment (5)	Unknown			
Other	Unknown			

(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).