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CASEY & GENTZ, L.L.P.

ATTORNEYS AT LAW

919 Congress Ave., Ste. 1060  
Austin, Texas 78701-2157  
Phone 512-480-9900  
Fax 512-480-9200

Writer's Direct Number:  
512-225-0008

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Robin A. Casey  
Susan C. Gentz  
Diane M. Barlow  
Valerie P. Kirk  
Bill Magness  
Bradford W. Bayliff

December 20, 2002

**VIA HAND DELIVERY**

Mr. Garvis Cunningham  
Central Records  
1701 N. Congress Ave., Rm. 113-A  
Austin, Texas 78701

RE: Project No. 26715; *Annual Progress Report on Five-Year Plan to Enhance Supplier and Workforce Diversity for XO Communications, Inc.*

Dear Mr. Cunningham:

Pursuant to Section 26.85(e), enclosed for filing are the original and three copies of XO Communications, Inc.'s Plan for Workforce Diversity and Other Business Practices. This filing is being made in Project 26715 as the project designated for this report. Please file-stamp the extra copy of this letter and report with the date and time of filing and return the same to our messenger.

Also attached for filing confidentially are two envelopes containing XO Communications, Inc.'s Annual Progress Report on the Implementation of the Five-Year Plan to Enhance Supplier and Workforce Diversity.

If you have any questions concerning this filing, please contact me at the telephone number listed above. Thank you for your attention to this matter.

Sincerely,



Valerie P. Kirk

VPK/th  
Enclosures

Mr. Garvis Cunningham

December 20, 2002

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cc: Honorable Rick Perry  
Honorable Bill Ratliff  
Honorable James E. "Pete" Laney  
Honorable Joe Deshotel  
Chair, Texas Legislative Black Caucus  
House Mexican-American Legislative Caucus  
Honorable Leticia Van de Putte  
Chair, Texas Senate Hispanic Caucus

## **XO's PLAN FOR WORKFORCE DIVERSITY AND OTHER BUSINESS PRACTICES**

### **XO Policy**

XO is an equal opportunity employer. We firmly believe that our employees have the right to work in surroundings that are free from all forms of discrimination. All decisions involving any aspect of the employment relationship are made without regard to race, color, sex, creed, religion, age, gender, national origin, citizenship status, veteran status, physical or mental disability, marital status, sexual orientation, or any other applicable basis protected by foreign, state or local law, ordinance or regulation. Discrimination and/or harassment based on any of those factors are totally inconsistent with our philosophy of doing business and will not be tolerated. Information regarding the diversity of XO's workforce is filed separately under seal.

XO's diversity policy is found on our website at:  
<http://www.xo.com/careers/diversity.html> and is as follows:

### **Overview**

At XO Communications, our vision is to become the premier global integrated communication services provider for the 21st century. We will achieve this goal by maximizing the unique and individual contributions of our diverse employee population. Our employees are our most valuable assets, and their differing personalities, working styles, cultures and backgrounds are catalysts for discovering new and better ways of approaching and accomplishing our business goals.

A large part of management responsibilities at XO is to ensure that this unique blend of talent works together as a team so that we may all contribute to and share in our success. It is important that our company is known not only for its superior products and services, but also for its corporate culture of mutual respect, receptiveness to diversity, and inclusion of all employees. This standard will enhance our relationships with our customers and among ourselves, and foster an internal environment that we can all be proud of.

Our diverse workforce managed by a leadership team that encourages and values unique and individual contributions will ensure that we succeed in our efforts to become a leader in technical innovation; will help us to provide exceptional service to our customers; and will help ensure a strong return on our stockholders investment. As we strive to secure our position as the leader in the communications industry, it is important that we remain open to new ideas and flexible in times of change. Ours is a bold, winning culture in which each one of us is charged with contributing to and sharing in an environment where each person's full potential can be realized.

## **Our Philosophy**

The XO Commitment to diversity takes place in several forms. We realize that being committed means we must continue to:

- Have a strong tie to establishing and supporting relationships with women and minority organizations.
- Market our involvement by sponsoring minority-run national conferences.
- Advertise in minority publications and attend minority job fairs.
- Develop and abide by policies which promote cultural/ethnic diversity hiring.
- Make available promotional opportunities for all employees.
- Build and maintain a unified, open, and diverse work force.

Our leadership is committed to supporting diversity in the following ways:

- Visible commitment and involvement from top executives addressing employees directly about the impact of diversity on global competitiveness and the company's bottom line.
- Develop and implement sensitivity training grounded in the real world.
- Link meeting diversity goals to compensation, promotion and succession planning.

## **2002 Initiatives**

During the year 2002, XO implemented its diversity plan by advertising and recruiting using the following resources:

### Web Sites

Americas Job Bank

Department of Defense

Career Builder whose diversity sites include:

- NAFE (National Association for Female Executives)
- Association for Women in Technology
- Black World
- iVillage
- Job Access

### Affiliations

Dallas Hispanic Chamber of Commerce

### Contacts

NAACP - Dallas Chapter

Dallas Urban League

### Supplier Diversity

As a matter of policy, XO requires contractors to place competitive bids for projects over a certain dollar amount to ensure that discrimination does not occur. Data gathered from our operations teams indicates the approximately 73% of our suppliers come from small or historically underutilized businesses.

### Assessment

The year 2002 has been a difficult one for the telecommunications industry, and for XO. However, in spite of the fact that XO reduced its workforce by more than 20% in 2002, XO has continued to maintain the diverse composition of its workforce and suppliers in Texas. We not only will continue to develop the XO Diversity Plan initiatives that have proved successful in 2002, but also will continually seek new resources for developing the diversity of our employee and supplier base.