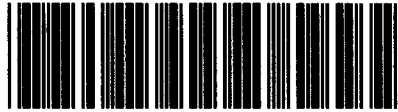




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December 22, 2009

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1701 N. Congress Ave.
Austin, TX 78711


Subject: PROJECT NO. 30240 – ANNUAL PROGRESS REPORT ON FIVE-YEAR PLAN TO ENHANCE SUPPLIER AND WORKFORCE DIVERSITY FOR VERIZON SOUTHWEST

Enclosed for filing are four (4) copies of the Annual Progress Report on the implementation of the Five-Year Plan to Enhance Supplier and Workforce Diversity for Verizon Southwest ("Verizon"). Pursuant to PURA 52.256(c)(7) Verizon is providing an update of the 5-Year Plan (2000-2004) for year ending 2009. Verizon is also providing confidential information with this report which is being filed under separate seal.

Consistent with the requirements of these rules, copies of this report are also being provided to the Governor, Lieutenant Governor, Speaker of the House and the respective Chairmen of the Senate Hispanic Caucus, House Mexican-American Legislative Caucus, and the House Legislative Black Caucus.

If you have questions pertaining to this report, contact Lisa McLaughlin at (512) 370-4215.

Sincerely,


O. D. Fulp

O. D. Fulp
Vice President – Regulatory & Governmental Affairs

ODF:LAM;mgb

- c: The Honorable Rick Perry (w/o proprietary attachment)
The Honorable David Dewhurst (w/o proprietary attachment)
The Honorable Joe Strauss (w/o proprietary attachment)
The Honorable Juan "Chuy" Hinojosa (w/o proprietary attachment)
The Honorable Garnet Coleman (w/o proprietary attachment)
The Honorable Trey Martinez Fischer (w/o proprietary attachment)



**Verizon Communications
Texas PURA
Supplier Diversity Plan
(2000 – 2009)
PROJECT NO. 30240**

Update 2009

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**Verizon Communications
Texas Region Supplier Diversity
2009 Update: Supplier Diversity Plan 2000-2004**

Update 2009

Initiatives, programs, and activities Verizon Communications will pursue during the next year to increase the diversity of its contracting opportunities for minority and women-owned businesses (historically underutilized businesses "HUBs").

Summary

Diversity is viewed as a "Core Value" in Verizon Communications and this commitment is reflected throughout the entire organization including the procurement process. For Verizon Southwest, HUB share of total spend was 23% (October 1, 2008- September 30, 2009). The results reflect both the challenges and successes of our ongoing diversity commitments and advocacy efforts in 2009, with goals for increasing the business opportunities for all minorities. In spite of the decreases in our spend reported for Second Tier , our program and initiatives continued to positively impact our Diversity performance in 2009.

I - Initiatives

Corporate Policy

Verizon does not have a "set aside" program for HUBs and bases its procurement practices on a competitive bid process. Verizon believes that minority and women business owners are fundamentally competitive and can deliver valuable and cost-effective products and services. To this end, it is our policy to offer HUBs maximum opportunity to compete on an equal basis with all other suppliers in our strategic sourcing process. In doing so, Verizon seeks to instill *sustainable* business with HUBs, while obtaining necessary products and services for the corporation at a competitive cost.

Management Accountability

The management team at Verizon communicates its commitment to diversity procurement by delivering annual and quarterly results throughout the corporation. These results are often included by our CEO in addresses to our stakeholder community. The Supplier Diversity team of managers continually communicate Verizon results both internally and externally to increase awareness of our diversity procurement efforts. Managers within the organization are held accountable for diversity procurement results. Verizon has re-aligned its compensation approach through its Diversity Performance Index (DPI).

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A percentage of the bonus compensation of executives is tied specifically to supplier diversity procurement. In addition, supplier diversity results is a performance ratings factor for employees involved in the decision making process for supplier selection.

Mission Statement

Supplier Diversity is an integral part of Verizon's Diversity Strategy to support economic development of the communities where it does business and to develop products and services that appeal to its diverse customer base. Verizon's CEO and other senior management will continue to communicate our commitment to expand opportunities for historically underutilized businesses. Verizon embraces the following mission statement for Supplier Diversity:

"Verizon has a strong commitment to diversity. That commitment extends to our supplier relationships. Supplier Diversity is also critical to Verizon's success in a competitive marketplace. It builds customer loyalty, stimulates economic growth, and taps into the innovation and entrepreneurship we need to compete for new growth in the market. By including Minority, Women, Veterans and Persons with Disability-owned business enterprises (MWDVBEs) in our supplier chain, we accomplish two goals at once. We position our business for success - and we contribute to the economic prosperity of the communities we serve."

Outreach

In order to advance the supplier diversity message, both internally and externally, Verizon takes a strategic approach to establishing and building relationships with HUBs and the organizations that supports them:

- Verizon has regular participation in business development trade fairs and other networking functions where potential suppliers have direct access to Verizon procurement professionals.
- Verizon employees play active and leadership roles in support of advocacy groups such as the National Minority Supplier Development Council at the national and local levels. Included are Board memberships, event sponsorship and active committee participation.
- Verizon's award winning supplier diversity website is easy to find from the homepage of the company's consumer site. At the site, Verizon's potential suppliers can register with us and view upcoming projects.
- Verizon regularly participates in business development conferences and frequently coaches diverse suppliers on "How to do business with major corporations."
- We will continue to participate and or sponsor numerous outreach programs in Texas. In 2009 these included the following:

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ORGANIZATION	ACTIVITY/EVENT/LOCATION
Women's Business Council - Southwest	Round-Up Trade show and Luncheon, Annual "Harvesting Partnerships" Sponsorship, New Members Orientation and Training Committee, Sustaining Corporation Board Membership, Sponsor for Power to Potential Networking event. Plano, TX
Native American Indian Chamber of Commerce (Houston)	Business Expo, Houston, TX
Quest Forum	Global oversight and integrated workgroup sessions in Dallas, TX (2).
Southwest Minority Supplier Development Council	"Denium and Diamonds" Awards ceremony, Austin, TX
Texas Association of Mexican American Chamber of Commerce (TAMACC)	2009 Annual Convention and Business Expo McAllen, TX
Dallas Black Chamber of Commerce	25th annual Quest for Success Luncheon, 12 th annual Education Luncheon, 20 th annual Golf Tournament, and 83 rd Annual Awards Banquet Dallas, TX
D/FW Minority Business Development Council	Board member, Access '09, Certification Committee participation, Supplier Diversity Professional Development Committee, DFW Hard Hat Construction Expo, Annual Golf and Tennis Tournament sponsor, and annual E Awards, member of Production Committee. Government Contracting Event. Dallas, TX
US Pan Asian Chamber of Commerce Dallas, TX (USPACC)	Annual Asian Business Expo Tradeshow, Arlington, TX. Corporate Advisory Board Member
Greater Dallas Hispanic Chamber of Commerce	"Viva Dallas" Expo, "Best of the Best, Quality & Excellence Awards" & Entrepreneurial Expo, Prime Sponsor for Excellence in Education Scholarship Awards Dinner. Dallas, TX Member of the Board of Directors
Urban League	Annual Meeting Luncheon, Annual Gala, Board Member, and Business Opportunity Fair. Dallas, TX

II - PROGRAMS

Resources

The Supplier Diversity program is led by a Director and is a part of the Verizon Corporate Sourcing & Procurement department.

The Supplier Diversity team is responsible for:

- Interfacing with internal product and service procurement groups and cross-functional teams to access buying requirements and to identify opportunities for HUBs.
- Partnering with advocacy groups to recruit HUB suppliers.
- Encouraging and supporting the utilization of HUBs.
- Identifying and verifying supplier information.
- Establishing the corporate strategy and utilization goals.
- Tracking, monitoring and reporting the performance and expenditures of prime suppliers and HUBs.
- Training and creating an increased awareness in buying and user organizations.
- Encouraging and assisting prime suppliers in developing plans to increase the use of HUBs as subcontractors.
- Managing and facilitating Verizon's outreach program.

In 2009 our Supplier Diversity team :

1. Lead the Supplier Diversity Council towards our goal of continuing to expand the Supplier Diversity initiative including the development of corporate-wide objectives, best practices, and resources.
2. Issued detailed quarterly reports showing progress towards corporate-wide objectives for all major business units.
3. Reviewed buyers' business plans for all major product/service categories to ensure inclusion of supplier diversity growth objectives.
4. Established Supplier Diversity objectives for all major requests for proposals (RFPs) and include Supplier Diversity team members on key cross functional teams charged with supplier selection.
5. Continued to develop innovative outreach programs such as our web-based registration process, "Best Practice" seminars, and resources for certification and upcoming RFPs.

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6. Continued our strong commitment to and participation in key supplier diversity advocacy organizations
7. Continued to expand our "second tier" program with Prime Suppliers to develop industry-based inclusion opportunities whereby major OEMs and services suppliers re-engineer their internal processes incorporating HUB suppliers to serve multiple customers. We held "Supplier Summits" with major OEMs to further educate their leadership on the business case and benefits of Supplier Diversity, facilitated the introduction of qualified and competitive MWDVBEs for inclusion, and reviewed utilization plans for gap closure in 2010.
8. Worked with telecommunications industry groups such as the NMSDC Telecommunications Industry Group (TIG) to establish best practices and standards for Supplier Diversity.
9. Continued/expanded our "in-reach" strategy to provide Supplier Diversity training/education to Verizon's personnel who influence or make supplier selection and/or buying decisions. This included the creation and conducting of Sr. Leadership Level Supplier Diversity Training via roadshows, and operational reviews.
10. Continued to identify opportunities to re-engineer/transform our supply chain processes to expand opportunity for inclusion.

III - ACTIVITIES

In-reach strategy

Verizon will continue to expand its in-reach strategy to develop business opportunities internally for HUB firms. Our activities will include:

- Supplier Diversity Managers attendance at Business Unit staff meetings to provide Supplier Diversity training and to review our current objectives.
- Our Supplier Diversity objectives will be communicated to each Business Unit's Diversity Council.
- Our Supplier Diversity Team will work with key decision makers and stakeholders to establish corporate-wide objectives and policies.

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- Educational sessions will be conducted with cross-functional end user organizations and Sr. Leadership to encourage inclusion of HUBs in high tech and non-traditional areas.
- Supplier Diversity Managers will be members of all strategic functional teams (CFTs) charged with selection of suppliers. Specific direct and/or “second tier” Supplier Diversity objectives will be established for each CFT.
- Supplier Diversity results will be reviewed each quarter with senior Verizon leaders.
- Continue to support Verizon leadership message that Supplier Diversity is integral to Verizon’s success.
- Expand use of internal website as a resource for supplier referrals and a “tool kit” for buyers and cross-functional teams.
- Further develop our external website to increase outreach effectiveness.
- Recognize Verizon employees’ contributions to Supplier Diversity as “Champions”.
- Mentored (3) three Diverse suppliers and conducted quarterly meetings to review their progress.
- Engaged senior executives to active participation in business development outreach activities. This includes speaking engagements, industry panels, and sponsorships.
- Consistently communicated our vision, initiative, and accomplishments.
- Provided post RFP feedback and coaching to improve the supplier’s bid responses for future opportunities.