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December 29, 2004

Courtney Todd  
Filing Clerk  
Public Utility Commission of Texas  
1700 North Congress Avenue  
Austin, Texas 78701

RE: Project 30240: 2004 (10-01-03 To 09-30-04) Annual Progress Reports On Five-Year Plan To Enhance Supplier And Workforce Diversity -- Telephone)

Dear Ms. Todd:

Pursuant to PUC Substantive Rule 26.85, AT&T hereby submits its Annual Progress Report to the Five-Year Plan to Enhance Supplier and Workforce Diversity. This report covers those parts of AT&T that are "telecommunications utilities", as defined by the Public Utility Regulatory Act in 51.002(11), doing business in Texas during the four prior quarters ending September 30, 2004.

Please do not hesitate to contact me if you have any questions regarding this report.

Respectfully submitted,

Sharon L. Mullin

Enclosures

cc: Governor Rick Perry  
Lt. Governor David Dewhurst  
Speaker Tom Craddick  
Rep. Pete Gallego, Chairman, Mexican American Legislative Caucus  
Rep. Garnet Coleman, Chairman, African American Legislative Caucus  
Sen. Juan "Chuy" Hinojosa, Chairman, Hispanic Legislative Caucus

# WORKFORCE AND SUPPLIER DIVERSITY FORM

Occupational Categories	NUMBER OF TEXAS FULL-TIME EMPLOYEES FOR REPORTING YEAR *													
	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	212	115	97	84	42	5	27	24	27	0	1	2	0	
Professionals	433	221	212	163	124	23	52	29	27	5	7	1	2	
Technicians	182	144	38	80	21	29	9	30	8	2	0	3	0	
Sales Workers	846	320	526	127	148	38	137	148	233	4	6	3	2	
Office and Clerical	294	39	255	13	85	4	72	22	84	0	1	0	2	
Craft Workers (Skilled)	0	0	0	0	0	0	0	0	0	0	0	0	0	
Operatives (Semi-skilled)	0	0	0	0	0	0	0	0	0	0	0	0	0	
Laborers (Unskilled)	0	0	0	0	0	0	0	0	0	0	0	0	0	
Service Workers	0	0	0	0	0	0	0	0	0	0	0	0	0	
Previous Year Totals (2003)	2454	1053	1401	612	518	123	398	296	463	11	16	11	6	
This Year Totals (2004)	1967	839	1128	467	420	99	297	253	390	11	15	9	6	

\* PURA Section 52.256 applies to "telecommunications utilities" as defined in PURA section 51.002. This report does not cover those parts of AT&T that are not within the definition of "telecommunications utilities"

## 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)		17.54%	4.89%	-357.96%
Commodities Contracts (2)		2.00%	7.94%	74.68%
Other Services (3)		20.70%	27.29%	24.17%
Professional Services Contracts (4)		3.82%	12.33%	321.99%
Major Equipment (5)		1.03%	0%	-100.00%
Other		48.73%	0%	-100.00%

(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).

(7) **Other** -- Any commodity or service not covered by the above categories.

## **WORKFORCE AND SUPPLIER DIVERSITY FORM**

**\*\* PURA Section 52.256 applies to “telecommunications utilities” as defined in PURA section 51.002. This report does not cover those parts of AT&T that are not within the definition of “telecommunications utilities”.**

Data is for HUBs only. Small Businesses do not fall within AT&T’s Diversity Strategy, although many historically underutilized businesses also are “small” businesses. In addition, AT&T has in place a National Commercial Subcontracting Plan in compliance with the policy of the United States Government that Small Businesses, as well as small disadvantaged and small women-owned businesses, be given the maximum practicable opportunity to participate as suppliers, contractors and subcontractors of goods and services to AT&T.

## **WORKFORCE AND SUPPLIER DIVERSITY FORM**

**Describe the specific initiatives, programs, and activities undertaken under the plan during the preceding year:**

**AT&T's current Diversity Strategy has four planks: 1) leveraging diversity; (2) profile improvement; (3) community relationships; and (4) supplier diversity. The "Supplier Diversity" and "Profile Improvement" planks are directly relevant to AT&T's Five Year Plan for Texas, which was filed 12/30/99.**

### **Supplier Diversity**

**It is AT&T's business goal to grow and expand our global business by continuing our focus on minority and women owned business enterprises as a value-added strategy that creates a competitive advantage. AT&T seeks to: (1) achieve continuous growth; (2) be a recognized MWBE leader; and (3) expand profitability through supplier diversity.**

**In pursuing this goal AT&T has put in place a wide range of initiatives to increase opportunities for historically underutilized businesses. One of the keystones of AT&T's Five Year Plan for increasing supplier diversity during 2004 was the assignment of the responsibility for HUB awareness and results to the Supplier Diversity Program. Results were reviewed and plans were discussed to increase HUB procurement. The Supplier Diversity organization reviewed supplier lists and discussed upcoming bid opportunities for HUB vendors.**

**Throughout 2004 AT&T actively participated in tradeshow and events in Texas that promoted the use of minority suppliers. In addition, AT&T attended several events that offered potential suppliers the opportunity to introduce their company products and /or services to AT&. Our Supplier Diversity Program staff was on-hand to educate vendors of AT&T procurement policies, requirements and bid opportunities. AT&T added new MWBE suppliers and construction suppliers to its database for inclusion in future bids.**

## WORKFORCE AND SUPPLIER DIVERSITY FORM

AT&T Supplier Management hosted or attended the following events during 2003.

EVENT	LOCATION	DATE
Dallas-Fort Worth Minority Business Development Council's Access	Arlington, Texas Convention Center	June 9-10, 2004
TAMACC Gala (Texas Association of Mexican American Chambers of Commerce)	Austin, Texas	July 15, 2004
TAMACC Annual Convention & Business Expo	Corpus Christi, Texas	July 29-31, 2004
United States Hispanic Chamber of Commerce Conference	Austin, Texas	September 15-18, 2004

During 2004, AT&T provided financial support to several minority organizations including the United Negro College Fund, Literacy Council of Williamson County, National Coalition of 100 Black Women, Phyllis Wheatley High School, Cesar Chavez Foundation, Eddie Lucio Scholarship Fund, and the KTSU Tennis Tournament sponsored by Texas Southern University.

### Subcontracting Initiatives

In our efforts to strive for continuous improvement in our HUB initiatives, we have implemented a HUB Subcontracting Program. This program is a process for encouraging our current suppliers to help expand minority and women-owned business opportunities by establishing HUB programs of their own. The overall purpose of this program is to expand the HUB content of services that we offer to our customers in the marketplace, while expanding and broadening the available opportunities for HUBs.

The majority of AT&T's major procurement is in the area of network equipment and voice and data switching equipment. While HUBs don't typically manufacture these types of equipment, HUBs can be used as subcontractors and component suppliers when the major telecommunications companies manufacture them. AT&T has held meetings with Lucent Technologies and other companies to encourage the utilization of HUB's whenever possible when supplying AT&T's

## WORKFORCE AND SUPPLIER DIVERSITY FORM

network equipment requirements.

### WORKFORCE DIVERSITY

AT&T and others in the telecommunications industry continue to experience rapid changes in our business. Consumer and business long distance service continues to face stiff competition. AT&T expects these lines of business to experience reductions in workforce over time. AT&T's consumer and business workforce in Texas experienced a total workforce reduction of 19.8% in 2004. AT&T managed this reduction whereby the Total Minority Workforce was reduced by only 18.4%. The African American Workforce experienced a 24% reduction and the Hispanic Workforce experienced a 15.3% reduction. AT&T's current workforce profile in Texas by employment category is shown in the workforce chart found above.

### Profile Improvement

AT&T's "Business Goal" is to "continue to expand our pool of knowledge, skills, competencies and creative thinking by improving our profile in a manner consistent with applicable legal principals at all levels and maximizing our diverse workforce." AT&T's objectives are threefold:

- "Ensure, over time, that AT&T's US workforce is representative of US Civilian Labor Force availability";
- "Further improve recruitment, selection, retention and development inclusive of all dimensions of diversity to fully utilize our diverse supply of talent";
- "Ensure the availability of talent to execute the business strategy and for ongoing leadership continuity."

The following table represents AT&T's workforce by percentages of women and minorities for 2003 and 2004 compared to the Texas Civilian Labor Force (CLF):

	Women	Minorities
AT&T Texas 2004	57.3%	54.9%
AT&T Texas 2003	57.1%	54%
2000 Texas Civilian Labor Force	45.2%	42.1%



## **WORKFORCE AND SUPPLIER DIVERSITY FORM**

**Make an assessment of the success of each of the specific initiatives, programs, and activities listed above:**

**AT&T's Texas-specific supplier diversity strategy programs and initiatives that have been implemented continue to have a direct and positive impact on AT&T's Texas minority procurement results.**

**AT&T has in place a wide range of national policies and programs for improving workforce diversity both in terms of new hires and development opportunities for current employees. AT&T believes that these policies and programs have been effective in advancing workforce diversity. However, AT&T also believes that advancing diversity is a continuing task. AT&T will continue to advance workforce diversity in Texas through the Five Year Plan filed 12/30/99.**

**Describe the initiatives, programs, and activities the utility will pursue during the next year to increase the diversity of its workforce and contracting opportunities for small and historically underutilized businesses:**

**AT&T will continue with our policy to afford maximum opportunity to women and minority owned and operated businesses to participate as suppliers.**

**AT&T's commitment to its Supplier Diversity Program is grounded in the belief that women, minority owned business enterprises are a natural part of AT&T's business environment. Such supplier diversity creates a differential advantage and contributes to AT&T's business success. Therefore, AT&T's mission is to grow and expand AT&T's global business by fostering the use of diverse supplier business enterprises as a value-added strategy that creates a competitive advantage. AT&T will continue to host and attend various supplier diversity conferences in 2005.**

**The Alliance that AT&T has entered into with the Texas Association of Mexican American Chambers of Commerce (TAMACC) will continue to offer the opportunity to explore innovative ways to increase opportunities for HUBs.**

**AT&T will seek to carefully manage the changes in our industry and closely monitor how these changes are implemented so they are done in a fair and equitable way throughout our workforce.**

## **WORKFORCE AND SUPPLIER DIVERSITY FORM**

**State the specific progress made under the plan filed by the utility:**

**AT&T Five Year Plan for supplier diversity, which was filed on December 30, 1999, was for 10 months of 1999 (January, 1999 – October 1999).**

- **The first full year's report was for the period of October 1, 1999 – September 30, 2000.**
- **The second year's report was for the period of October 1, 2000 – September 30, 2001.**
- **The third year's report was for the period of October 1, 2001 – September 30, 2002.**
- **The fourth year's report is for the period of October 1, 2002 – September 30, 2003.**
- **This year's report is for the period of October 1, 2003 – September 30, 2004.**

**AT&T's overall purchasing decreased by 12.6%, while HUB purchasing increased by 31.5%. Commodity HUB contracts increased by 78%, professional services contracts increased by 322% and major equipment decreased by 100%. AT&T did not buy any equipment from HUB's in 2004.**

**While AT&T's total consumer and business services Texas Workforce decreased by 20.2% from 2003 to 2004, we were successful in managing this reduction in a way that didn't result in a disproportionate reduction in minorities, compared to AT&T's total workforce profile. AT&T's workforce continues to show higher percentages of women and minorities than the Texas Civilian Labor Force profile.**