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VarTec Telecom, Inc.

December 29, 2005

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PUBLIC UTILITY COMMISSION
FILED CLERK

**VIA PUC FILER and
FIRST CLASS U.S. MAIL**

Filing Clerk

Public Utility Commission of Texas
Post Office Box 13326
Austin, Texas 78711-3326

Re: Project No. 30240 – Annual Progress Report on Workforce Diversity
VarTec Telecom, Inc.

Dear Sir or Madam:

Transmitted herewith on behalf of VarTec Telecom, Inc. (“VarTec”), enclosed please find an original and three (3) copies of the Company’s Annual Progress Report on Workforce Diversity pursuant to Rule §26.85. Please note that this Workforce and Supplier Diversity Form is submitted on behalf of VarTec and its subsidiary, Excel Telecommunications, Inc.

VarTec continues to strive toward providing initiatives, programs and activities to reinforce the Company’s equal opportunity guidelines. In addition, VarTec continues to encourage qualified businesses, including small and historically underutilized businesses, to submit proposals for the sale of goods and services.

Acknowledgment and date of receipt of this filing are respectfully requested. Please date and file stamp the attached copy of this letter and return it in the enclosed pre-addressed, postage prepaid envelope. Thank you for your attention to this matter. All inquiries and correspondence regarding this filing should be directed to the undersigned directly at (972) 478-3376.

Respectfully submitted,

Courtney Weddington
Sr. Regulatory Analyst

Enclosures

cc: Becky Gipson
Director, Regulatory Affairs

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cc: The Honorable Rick Perry
Office of the Governor
P.O. Box 12428
Austin, Texas 78711-2428

Lt. Governor David Dewhurst
Capitol Station
P.O. Box 12068
Austin, Texas 78711-2066

The Honorable Tom Craddick
Speaker of the House of Representatives
Capitol Office, Room 2W.13
P.O. Box 2910
Austin, Texas 78768

The Honorable Garnet Coleman, Chairman
The House Legislative Black Caucus
807 Brazos Street, Suite 304
Austin, Texas 78701

The Honorable Juan "Chuy" Hinojosa, Chairman
The Texas Senate Hispanic Caucus
P.O. Box 12068 Capital GE.5
Austin, Texas 78711

The Honorable Pete Gallego, Chairman
The House Mexican American Legislative Caucus
Attention: Rick Sookiasian
1005 Congress Avenue, Suite 420
Austin, Texas 78711

**WORKFORCE AND SUPPLIER DIVERSITY FORM
WORKFORCE DIVERSITY**

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	129	76	53	62	39	2	6	4	3	3	1	1	
Professionals	228	144	84	98	45	28	11	10	8	25	3		
Technicians	90	48	42	27	21	17	6	2	4	2			
Sales Workers	5	3	2	3	2								
Office and Clerical	113	28	85	15	38	11	34	2	10	3			
Craft Workers (Skilled)	0	0	0										
Operatives (Semi-skilled)	1	1	0	1									
Laborers (Unskilled)	0	0	0										
Service Workers	0	0	0										
Previous Year Totals	1278	648	630	439	332	88	222	51	49	65	23	5	
This Year Totals	566	300	266	*206	*145	39	88	22	23	32	9	**1	

* These totals include the Company's employees who declined to provide their race.

** Totals in the American Indian category for this year also include Hawaiian or Pacific Islander.

NOTE: Double-click on embedded Excel chart to open. Click on a cell or use arrow keys to select an occupational category and ethnic group to update workforce diversity numbers. Do not enter information in Combined Total and Company Totals columns or the This Year Totals row as these will update automatically. Cells left blank will be counted as zero. Click anywhere outside of chart to exit.

**WORKFORCE AND SUPPLIER DIVERSITY FORM
COMPANY INITIATIVES**

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

The Company offers diversity training classes to its managers and employees to reinforce equal opportunity guidelines, to increase awareness of equal opportunity rules and regulations, and to foster the Company's goal of diversity in the workplace. Continued growth and development of the employees is encouraged through corporate training and seminars.

In addition, the Company encourages qualified businesses, including small and historically underutilized businesses, to submit proposals for the sale of goods and services to their principal address. The Company has given all businesses the maximum practicable opportunity to participate in the performance of contracts.

The Company continues to recruit the most qualified individuals regardless of race, color, creed, religion, sex, marital status, age, national origin, physical handicap, disability, medical condition, ancestry or any other consideration. The Company has actively monitored its hiring practices to ensure equal employment opportunities.

**WORKFORCE AND SUPPLIER DIVERSITY FORM
COMPANY INITIATIVES**

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

The Company has improved in its goals towards fostering diversity within the workplace. The strides the Company has taken toward improving diversity has been met with great participation in all areas of the Company. The Company enforces its policies regarding equal opportunity which are designed to promote diversity in the workplace and to enhance the overall quality of the Company's workforce. In addition, the Company contracted with small and underutilized businesses as outlined in its Workforce Diversity Plan. The Company maintains that it successfully met its goals in the preceding year and continues to work beyond these goals to enhance the quality of the Company's workforce.

**WORKFORCE AND SUPPLIER DIVERSITY FORM
COMPANY INITIATIVES**

- (3) 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:**

Each employee has been charged with the responsibility of adhering to the equal employment guidelines and strengthening the Company's workforce through equal opportunity and non-discriminatory actions. Section III of VarTec Telecom, Inc.'s Employee Handbook defines the Company's Equal Employment Practices:

VarTec is an equal opportunity employer and makes employment decisions on the basis of merit. Company policy prohibits unlawful discrimination based on race, color, creed, religion, sex, marital status, age, national origin, physical handicap, disability, medical condition, ancestry or any other consideration made unlawful by federal, state or local laws.

The Company will continue to offer training classes to foster equal opportunity, the Company's goal of diversity and to increase the awareness of rules and regulations pertaining to equal opportunity. In addition, the Company will continue to hire the most qualified individuals and actively monitor its hiring practices. Furthermore, the Company will continue to offer contracts to small and historically underutilized businesses based on the cost and quality of goods and services. The Company encourages these businesses to submit proposals for the sale of goods and services to their principal address. As the need for improvement arises, the Company will develop and implement any programs and/or activities to achieve the initiatives outlined in the Workforce Diversity Plan.

- (4) State the specific progress made under the plan filed by the utility:**

The Company has followed and achieved the goals it set in the Telecommunications Workforce Diversity Plan filed with the Commission. However, it continues to pursue greater workforce diversity beyond the goals it set in the aforementioned plan. The Company has hired the most qualified individuals regardless of color, race, creed, sex, religion, age, marital status, national origin, disability, physical handicap, medical condition, ancestry or any other consideration. The Company has offered diversity training classes which were available to each employee. As previously stated, the Company has selected businesses based on cost and quality of goods and services.