California Public Utilities Commission

Annual Report of Telegraph and Telephone Corporation Employment, Investment, and Contracting in California

As Required by P.U. Code 7912

COMMUNICATIONS DIVISION
REPORT TO LEGISLATURE

October 7, 2015

This document can be found online at:
http://www.cpuc.ca.gov/PUC/Telco/generalInfo/CPUC+Reports+and+Presentations.htm

CALIFORNIA PUBLIC UTILITIES COMMISSION

Ryan Dulin, Director
COMMUNICATIONS DIVISION

Timothy Sullivan
Executive Director

Contents

I. Executive Summary 5
II. Reporting Requirements Under PU Code 7912 7
III. Customers in California 8
Total Customers in California 8
Percentage of Customers in California 9
IV. Employees in California 9
V. Capital Investments in California 10
VI. Number of California Residents Employed by Independent Contractors 11
Appendix A: P.U. Code 7912 12

I. Executive Summary

Background

P.U. Code 7912 falls within Division 4. Laws Relating to Utility Corporations and Their Employees. Chapter 3 enacted by Statutes 1951, Ch.764 specifically relates to Telegraph or Telephone Corporations. P.U. Code 7912 requires the California Public Utilities Commission (CPUC) collect information annually on employment and investment from any public utility employing more than 750 total employees and report that information to the Assembly Committee on Utilities and Commerce and the Senate Committee on Energy, Utilities and Communications.

The information contained within this report covers year 2014 for both wireline and wireless companies. The reporting wireline companies include: AT&T California, Verizon California, and Sprint. The reporting wireless companies for both years include: AT&T Mobility, Verizon Wireless, Sprint, and T-Mobile.

The data from the individual carriers could not be reported as all reporting utilities requested confidential treatment under P.U. Code § 583 and General Order 66-C as the information is considered to be proprietary, sensitive and would place the utility at a competitive disadvantage. Thus, Commission staff aggregated the data from these sources to protect the claimed confidential information. If the Committee determines that this aggregated information is insufficient for its purposes, Commission staff will pursue a formal release of the unredacted data by vote of the Commission.

Key Findings

Wireline Companies: AT&T California, Verizon California, Sprint

The data shows that total number of wireline customers from the companies with over 750 employees in 2014 was 4.5 million.

The data show that all three of the wireline companies with more than 750 employees reported declining customer bases of 15% on average between 2013 and 2014.

The total number of Californians employed by wireline companies was 24,485 in 2013 and 24,169 in 2012. In 2014 it decreased to 23,015, a reduction of 1,470 employees from the 2013 level. This decline coincides with the decline in customer base.

P.U. Code 7912 also requests companies also report the total number of contractors, but that data was not available for all of the reporting companies.

As two of the three reporting companies are California-based companies, both reported that virtually 100% of their customer base and employee ranks were California residents.

The total capital investment by wireline companies in 2013 was $1.8 billion and in 2012 was 1.5 billion. In 2014, that number decreased by 28% from the 2013 level to $1.3 billion. This decrease is a much larger percentage decrease than the percentage decrease in total customer base. Specifically, capital investment decreased by 28% between 2013-2014 and the customer base was reduced by 15% during

that same timeframe. The size of the capital investment correlates to the size of the customer base, and one company is responsible for the majority of the capital investments in the wireline industry.

Table 1. Aggregated Results from all Reporting Wireline Companies

	Total Customer Base	Total California Residents Employees	Total Capital Investments
2012	6,215,451	24,169	$1.5 billion
2013	5,354,965	24,485	$1.8 billion
2014	4,544,122	23,015	$1.3 billion
2013-2014 Delta	810,843(-15%)	1470 (-6%)	$0.5 billion (-28%)

Wireless Companies: AT&T Mobility, Verizon Wireless, Sprint, T-Mobile

The data show that the total number of wireless customers from the companies with over 750 employees in 2014 was 37.8 million. The two largest companies averaged 12 million customers each, and the remaining two averaged 7 million customers.

Unlike the wireline companies, which are California-based and California-centric in their operations, the wireless companies are national. The California customer base represents approximately 13% of their total domestic customer base in 2014.

The total number of California residents employed by the reporting wireless companies was 21,814 in 2013 and 21,736 in 2012. In 2014 the number increased to 23,019, an increase of 1,205 employees, which accounts for a 6% increase from the 2013 level.

The percentage of the total workforce that resides in California was 13% in 2013 and 10% in 2014. The range within companies was 8-22% in 2013 and 8-11% in 2014.

The total number of California residents employed by the reporting companies as contractors was unavailable. Five out of six companies reported that information on the number of California residents employed by independent contractors, which directly provide services to the franchise holder, had not been collected.

The total capital investment by wireless companies in 2013 was $3.5 billion and in 2012 was $2.8 million. In 2014 the level of capital investments increased by 51% to $5.3 billion. The range across companies varied widely, with a low of $550 million and high of $2.4 billion. This is a significant percentage increase as compared to the more modest 6% growth in employees and 7% growth in the total customer base.

Table 2. Aggregated Results from all Reporting Wireless Companies

	Total Customer Base	Total California Residents Employees	Total Capital Investments
2012	34,500,000	21,736	$2.8 billion
2013	35,400,000	21,814	$3.5 billion
2014	37,760,297	23,019	$5.3 billion
2013-2014 Delta	2,360,297 (+7%)	1,205 (+6%)	$1.8 billion (+51%)

II. Reporting Requirements Under PU Code 7912

P.U. Code 7912 falls within Division 4. Laws Relating to Utility Corporations and Their Employees. Chapter 3 enacted by Statutes 1951, Ch.764 specifically relates to Telegraph or Telephone Corporations.

P.U. Code 7912 requires the California Public Utilities Commission (CPUC) collect information annually on employment and investment from any public utility employing more than 750 total employees and report that information to the Assembly Committee on Utilities and Commerce and the Senate Committee on Energy, Utilities and Communications:

1. The number of customers served in California by the public utility
2. The percentage of the public utility's total domestic customer base that resides in California
3. The number of California residents employed by the public utility, calculated on a full-time or full time equivalent basis
4. The percentage of the public utility's total domestic workforce, calculated on a full-time or full time equivalent basis, that resides in California
5. The capital investment in the public utility's tangible and intangible plant which ordinarily have service life of more than one year, including plant used by the company or others in providing public utility services, in California during the yearly reporting period
6. The number of California residents employed by independent contractors and consultants hired by the public utility, calculated on a full-time or full time equivalent basis[1]

[1] "…Information required when the public utility has obtained this information upon requesting it from the independent contractor or consultant, and the public utility is not contractually prohibited from disclosing the information to the public. This subdivision is inapplicable to contractors and consultants that are a public utility subject to reporting requirements of this section. This paragraph applies only to those employees of an independent contractor or consultant that are personally providing services to the public utility, and does not

7. Forecast of the number of net new positions expected to be created during the next year (2012)

The following six had more than 750 full-time employees in California and were therefore required to report employment data for 2014:

- AT&T California
- AT&T Mobility
- Verizon California
- Verizon Wireless
- Sprint
- T-Mobile

III. Customers in California

Total Customers in California

The total number of customers in California for wireline companies declined 15% between 2013 and 2014. During that time, the total wireless customer base grew by 7%. The number of wireless customers in California is now over eight times greater than the number of wireline customers.

Table 3. Aggregated Data for California Customers of Reporting Companies

	Wireline	Wireless
2012	6,215,451	34,500,000
2013	5,354,965	35,400,000
2014	4,544,122	37,760,297
2013-2014 Delta	810,843(-15%)	2,360,297 (7%)

Wireline companies: The data show that all three of the wireline companies with more than 750 employees reported declining customer bases of 15% on average between 2013 and 2014. In 2012 the total number of wireline customers was 6,215,451 and in 2013 was 5,354,965. This number declined to 4,544,122 in 2014. In the wireline business, there is one company that virtually dwarfs the other two companies in terms of customer base. Its customer base is over nine times larger than the smallest company.

Wireless companies: The data show that the total number of wireless customers from the companies with over 750 employees in 2014 was 37.8 million. In 2013, the total number of wireless customers was

apply to employees of an independent contractor or consultant not personally performing services for the public utility."

35.4 million and in 2012 it was 35 million. This represents an increasing customer base of 7% on average between 2013 and 2014. In 2014, the two largest companies averaged 12 million customers each, and the remaining two averaged 7 million customers.

Percentage of Customers in California

Two of the three reporting companies are California-based companies and both reported that virtually 100% of their customer base was California residents.

Unlike the wireline companies, which are California-based and California-centric in their operations, the wireless companies are national. The California customer base represents an average of 13% of their total domestic customer base in 2012, 2013 and 2014.

IV. Employees in California

P.U. Code 7912 requires telephone and telegraph companies with over 750 total employees to report on the number of California residents they employ as well as the percentage of the utility's total domestic workforce.

Table 4 shows the total number of employees in California for the year 2014. It also shows the percentage of California residents that make up their workforce.

Both the number of workers and the percentage of the workforce are calculated on a full-time equivalent basis.

Table 4. Aggregated Data for California Employees of Reporting Companies

	Wireline CA Employees	% of Workforce	Wireless CA Employees	% of Workforce
2012	24,169	100%	21,736	11%
2013	24,485	100%	21,814	13%
2014	23,015	100%	23,019	10%
2013-2014 Delta	1,470 (-6%)	0	1,205 (+6%)	-3%

Wireline companies: The total number of Californians employed by wireline companies in 2012 was 24,169. In 2013 it was 24,485. In 2014, the total number of Californians employed by wireline companies was 23,015, a decline of 1,470 employees from 2013. This decline roughly corresponds with

the declines in the customer base. As two of the three reporting companies are California-based companies, both reported that virtually 100% of their customer base was California residents.

Wireless companies: The total number of California residents employed by the reporting wireless companies was 21,814 in 2013 and 21,736 in 2012. In 2014 the number increased to 23,019, an increase of 1,205 employees. This increase is correlated to the increase in customer base. The percentage of the total workforce that resides in California was 13% in 2013 and 10% in 2014. In 2012 it was 11%. Within companies, the percentage of the total workforce that resides in California ranged between 8-20% in 2012, 8-22% in 2013, and 8-11% in 2014.

V. Capital Investments in California

P.U. Code 7912 requires that companies over 750 total employees report on their capital investments in California. The code defines capital investment the following way: "the capital investment in the public utility's tangible and intangible plant which ordinarily have a service life of more than one year, including plant used by the company or others in providing public utility services, in California during the yearly period."

The total capital investment by wireline companies in 2012 was $1.5 billion. In 2013, it was $1.8 billion. In 2014, that number decreased by 28% from 2013 to $1.3 billion. This 2013-2014 percentage decrease exceeds the percentage decrease in total customer base.

The total capital investment by wireless companies in 2012 was $2.8 billion and in 2013 was $3.5 billion. In 2014, that number increased by 51% to $5.3 billion. In 2014, the range across companies varied widely, with a low of $500 million and high of $2.4 billion. This is a significant percentage increase as compared to the more modest 6% growth in employees and 7% growth in the total customer base in 2014.

Table 5. Aggregated Data for Capital Investments in California by Reporting Companies

	Wireline	Wireless
2012	$1.5 billion	$2.8 billion
2013	$1.8 billion	$3.5 billion
2014	$1.3 billion	$5.3 billion
2013-2014 Delta	$0.5 billion (-28%)	$1.8 billion (+51%)

VI. Number of California Residents Employed by Independent Contractors

Only one of the six companies reported that it tracks the number of California residents employed by independent contractors who directly provide services to the franchise holder. Therefore, we cannot provide a complete profile of the total number of California residents employed by independent contractors. The one company that did track the data indicated that it does not have any contractors who were California residents working in wireline operations and that it had about 900 contractors who were California residents working in its wireless operations.

Appendix A: P.U. Code 7912

PUBLIC UTILITIES CODE - PUC

DIVISION 4. LAWS RELATING TO UTILITY CORPORATIONS AND THEIR EMPLOYEES [7503 - 8286]
(Division 4 enacted by Stats. 1951, Ch. 764.)

CHAPTER 3. Telegraph or Telephone Corporations [7901 - 7912]
(Chapter 3 enacted by Stats. 1951, Ch. 764.)

7912.

(a) A public utility employing more than 750 total employees shall annually report to the commission all of the following:

(1) The number of customers served in California by the public utility.

(2) The percentage of the public utility's total domestic customer base that resides in California.

(3) The number of California residents employed by the public utility, calculated on a full-time or full-time equivalent basis.

(4) The percentage of the public utility's total domestic workforce, calculated on a full-time or full-time equivalent basis, that resides in California.

(5) The capital investment in the public utility's tangible and intangible plant which ordinarily have a service life of more than one year, including plant used by the company or others in providing public utility services, in California during the yearly reporting period.

(6) The number of California residents employed by independent contractors and consultants hired by the public utility, calculated on a full-time or full-time equivalent basis, when the public utility has obtained this information upon requesting it from the independent contractor or consultant, and the public utility is not contractually prohibited from disclosing the information to the public. This subdivision is inapplicable to contractors and consultants that are a public utility subject to the reporting requirements of this section. This paragraph applies only to those employees of an independent contractor or consultant that are personally providing services to the public utility, and does not apply to employees of an independent contractor or consultant not personally performing services for the public utility.

(b) The commission shall annually report the information required to be reported by public utilities pursuant to subdivision (a), to the Assembly Committee on Utilities and Commerce and the Senate Committee on Energy, Utilities and Communications, or their successor committees, and within a reasonable time thereafter, shall make the information available to the public on its Internet Web site.

(Added by Stats. 2003, Ch. 446, Sec. 2. Effective January 1, 2004.)