AT&T’S WEB OF SUBCONTRACTORS:
BUILDING NEXT GENERATION NETWORKS WITH LOW-WAGE LABOR

CWA
OCTOBER 2020
EXECUTIVE SUMMARY

AT&T relies on a vast network of contractors to build its network and connect customers to broadband, cutting its own unionized employees out of much of this work. This report from the Communications Workers of America (CWA) examines the impact of subcontractor performance on service quality and safety through an examination of public records, news reports and surveys of AT&T technicians and contractor companies. Findings include:

- AT&T has used more than 700 contracting companies to construct and maintain its network over the last four years.

- A survey of 1,500 AT&T technicians conducted by CWA found that techs who interact regularly with work done by contractors consistently see problems, including quality problems that increase costs (96%), service quality problems for customers (81%) and safety risks for workers and the public (57%).

- AT&T contractors have a track record of causing accidents that damage utilities, public property and private homes across the country.

- AT&T’s business model squeezes contractor companies’ cash flow by delaying payment and refusing reimbursement for certain work, exerting downward pressure on employee compensation.

CWA recommends that: AT&T end its relationship with irresponsible contractors and work with CWA to in-source work to its directly-employed workforce; Congress pass the Moving Forward Act, which prohibits recipients of federal broadband subsidies from outsourcing to evade a union contract; Congress pass the PRO Act to prevent worker misclassification and protect the right to organize; Congress pass legislation to ensure local governments have authority over public rights-of-way to ensure broadband construction work is done safely.
BACKGROUND

AT&T is the largest communications company in the world. It has over 100 million wireless subscribers, 18 million video subscribers, and 14 million broadband subscribers.¹ AT&T should uphold high standards in its construction of critical infrastructure, including broadband and wireless networks that many Americans rely on. But instead of having its highly-skilled unionized employees do this work, AT&T has come to rely on a multi-layered structure of regional turf vendors and subcontractors that lack accountability to the public and to their workers. Generally, these contractors are non-union and are sent around the country, undermining the workplace standards established by AT&T employees through collective bargaining agreements. The result is a disturbing record of accidents that cause damage to utilities, public property, and homes while presenting serious risks to worker and public safety.

This paper summarizes the poor track record of AT&T’s web of subcontractors and illustrates the need for policymakers to stop public subsidies from flowing to irresponsible contractors that undermine collectively bargained wages and standards. It draws on public records, news reports, an industry survey, and a survey of frontline AT&T workers who clean up after the work of subcontractors on a daily basis.

AT&T RELIES HEAVILY ON SUBCONTRACTORS FOR CONSTRUCTION OF ITS NETWORK

In the past, AT&T was almost entirely union-represented. Today, AT&T has moved large portions of its core work to contractors and is turning to them to provide an ever-larger array of services integral to building and maintaining its network and servicing its customers. AT&T now relies on subcontractors to locate underground utilities before digging, place fiber optic cabling, transfer cable to new poles, construct “small cell” wireless installations and distributed antenna systems (DAS’s), install DirecTV service, and climb and install equipment on cell towers.² AT&T employs about 90,000 CWA members who still provide a large share of the company’s core services, yet the company has increasingly sought to prevent union members from carrying out many essential functions.

CWA has identified more than 700 separate contracting companies that have performed network-related functions for AT&T in the past four years, and many of them further subcontract the work.³ Outsourcing to contractors allows AT&T to escape responsibility to compensate workers at the same level as union-represented employees and to get away with not addressing harms caused to the public or workers. In a 2012 investigation, ProPublica and Frontline documented the death of a tower climber who was working on AT&T equipment. AT&T escaped liability in the climber’s death because he worked for a subcontracted company.⁴
AT&T WORKERS REPORT
CONSTANT PROBLEMS WITH
SUBCONTRACTOR WORK

In a survey of 1,500 AT&T technicians conducted by CWA, respondents who have first-hand experience dealing with work done by contractors consistently reported problems with the quality of contractor work. Respondents said contractors cause quality problems leading to higher costs most frequently (96%), followed by service quality problems for customers (81%), and safety risks for workers or the public (57%). These problems directly affect AT&T technicians’ workload and duties.

Technicians describe a lack of quality control for contractor work and believe that contractors speed through jobs due to piece-rate compensation — paying workers by project instead of by the hour. One technician reported, “Contractors rush to get the job done quicker bypassing safety issues and damage the plant trying to get done quicker to make more money.” Another technician described how the quality standards AT&T workers are held to differ from those of contractors: “We have to rack cable neatly, plug ducts, etc. Contractors throw cable in manhole, not racked or plugged, etc.”

AT&T workers report that they are required to fix or redo poor quality work, increasing technicians’ workload. Technicians observe issues including contractors that hit lines and cause service outages; cable that is not buried deep enough, risking hits by customer lawn mowers or other issues; incorrect installation of access points (hand holes), conduit and ducts for fiber installation to customer premises, delaying service activation; incorrect hanging of fiber that makes it vulnerable to squirrel chews; incorrect installation of conduit piping for laying fiber underground so that it is crushed or otherwise unusable; and broken fiber or copper cables.

One technician reported, “It’s not unusual for us to roll into an area where fiber has been placed and within minutes your truck is surrounded by residents wanting recourse for their damaged pipes, drops, landscaping, etc.”
AT&T workers also expressed concern about unsafe work by contractors that puts both workers and the public at risk. This includes failure to ground or properly secure cables to avoid risk of electrocution; failure to properly bury lines which can create trip hazards; placement of cable connectors far from poles, creating unnecessary fall risks; use of improper equipment; and inadequate traffic control during work in active roadways.

One tech stated that contractors don’t cover buried equipment properly: “Customers complain because they, their kids, or mowers have fallen into these holes. Eventually someone will be hurt, and we will be blamed for something a contractor did, or failed to do.”

As the evidence from frontline AT&T technicians demonstrates, subcontractors create challenges that impact the quality of service and safety in AT&T’s network operations.

AT&T subcontractors have a record of accidents causing damage to public and private property

Across the economy, the trend toward outsourcing is driven by a Wall Street ethos to externalize cost and risk associated with directly employing workers, in order to maximize profit.6

AT&T contracts work to infrastructure and construction companies that then solicit bids from many small operators for various projects. Subcontractors are often paid by project, which incentivizes sped up work and cutting corners.7

When contractors are at fault for workplace accidents, hits to utility lines, or regulatory violations while deploying an AT&T project, the company may be able to evade responsibility because of multi-layered contracting arrangements.
### Table 1. Selection of Incidents in Which AT&T Contractors Caused Damage to Property or Utilities

<table>
<thead>
<tr>
<th>State</th>
<th>Company</th>
<th>Date</th>
<th>Incident Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA</td>
<td>N/A</td>
<td>July 2011</td>
<td>An AT&amp;T subcontractor dug holes in a residential driveway and lawn to fix an underground cable. The homeowner waited over six weeks for AT&amp;T to fix the driveway.</td>
</tr>
<tr>
<td>FL</td>
<td>N/A</td>
<td>Nov 2017</td>
<td>In November 2017, subcontracted workers hit an underground natural gas line while placing conduit for AT&amp;T.</td>
</tr>
<tr>
<td>GA</td>
<td>N/A</td>
<td>Oct 2016 - May 2018</td>
<td>At an October 2016 Dunwoody City Council meeting council members expressed dissatisfaction with AT&amp;T’s contractors which were installing fiber optic cables throughout the city. “You have real problems with your contractors. There are a lot of cut utilities. When you first came to my neighborhood, a water main was hit. [...] Water, gas, electric, cable lines are being cut. From my perspective, this is way out of control.” – Dunwoody City Councilmember Jim Riticher</td>
</tr>
<tr>
<td>IL</td>
<td>Watts Brother Cable Construction</td>
<td>Feb 2013</td>
<td>An AT&amp;T subcontractor, Watts Brother Cable Construction of Owensboro, Kentucky, struck a gas line.</td>
</tr>
<tr>
<td>KS</td>
<td>Heartland Midwest Contractors</td>
<td>March 2015</td>
<td>In March 2015, AT&amp;T contractors working in the City of Shawnee hit a power line.</td>
</tr>
<tr>
<td>MO</td>
<td>Four Winds</td>
<td>Feb 2014</td>
<td>In February 2014, Four Winds, a subcontractor hired by MasTec to install fiber optic cable for AT&amp;T hit a natural gas line which caused explosions inside a St. Louis building. Four Winds lacked a city business license and permit to do the job.</td>
</tr>
<tr>
<td>MS</td>
<td>Three Rivers Contractors</td>
<td>Dec 2009</td>
<td>A subcontractor for AT&amp;T, was burying fiber optic cable in Pearl, Mississippi and hit a gas line causing an explosion.</td>
</tr>
<tr>
<td>State</td>
<td>Contractor</td>
<td>Date Range</td>
<td>Description</td>
</tr>
<tr>
<td>-------</td>
<td>------------</td>
<td>------------</td>
<td>-------------</td>
</tr>
<tr>
<td>OH</td>
<td>N/A</td>
<td>May 2019</td>
<td>In May 2019, an AT&amp;T subcontractor struck an elevated high pressure gas line while putting in utility poles.¹⁷</td>
</tr>
<tr>
<td>OK</td>
<td>Arzo Inc.</td>
<td>Jan 2013</td>
<td>An AT&amp;T subcontractor, Arzo Inc., in Oklahoma City, Oklahoma hit a gas line while laying fiber optic cable. The incident destroyed a residential home.¹⁸</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>In January 2016, Ansco hit a resident’s irrigation line causing the system not to function.²⁰ In another case, residents of Elmstone Drive in south Charlotte complained about a broken sewer pipe that caused flooding. One resident asked AT&amp;T for compensation, he was referred to Ansco.²¹</td>
</tr>
<tr>
<td>TX</td>
<td>NX Utilities</td>
<td>Dec 2015 - Jan 2019</td>
<td>The City of Frisco issued two stop work orders for AT&amp;T’s fiber project in 2015.²² In December 2015, the city ordered all contractors affiliated with AT&amp;T’s fiber installation project to stop work after two gas line breaks in different areas. Between January 1 and November 4, 2015, 20 natural gas lines had been cut; 17 of those were related to the AT&amp;T fiber installation project.²³</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>In January 2016, the Frisco City Council approved an ordinance change in order to recover costs from hazardous materials incidents. The change was in response to the increase in calls to natural gas line breaks caused by subcontractors installing AT&amp;T fiber-optic cables.²⁴</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>In November 2017, NX Utilities, an AT&amp;T subcontractor, damaged a residential yard in Bedford, TX while installing a fiber-optic cable.²⁵</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>In November 2017, an AT&amp;T subcontractor working in Houston, Texas hit an energy line while attempting to install a fiber optic cable severely damaging a residential home.²⁶ The subcontractor was Connect Links, subcontractor of NX Utilities, which was contracted by AT&amp;T.²⁷ AT&amp;T told a resident whose home was damaged by an electric surge to contact NX Utilities.²⁸</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>In January 2019, the City of Nederland temporarily revoked AT&amp;T’s permit to work due to residential complaints about the company’s subcontractors.²⁹</td>
</tr>
</tbody>
</table>
Beginning in 2014, AT&T was engaged in deploying its GigaPower fiber service throughout the State of North Carolina. AT&T hired Ansco & Associates as a general contractor for this project.

- In Charlotte, the city government found that AT&T, Ansco and its more than 80 subcontractors were responsible for almost 700 utility incidents, including sewer line and water main hits, between December 2014 and April 2018. In total, these incidents resulted in over $1 million in damages.

- In the Raleigh area, Ansco further subcontracted AT&T’s infrastructure work to Georgia-based Synchronicity LLC. In the fall of 2016, Synchronicity began soliciting workers via Craigslist to help bury fiber for AT&T. These workers were hired as independent contractors rather than employees. In October 2016, one worker, Derek Mims, had his fingers crushed in a ditch-digging machine while installing fiber cables for Synchronicity. Four other workers on the same project say they fought for weeks to collect the wages they were promised for cash payments at a lower rate. A News and Observer analysis in 2014 found that misclassification in the construction industry in North Carolina alone was costing the state and federal governments $467 million in taxes each year.

- In Chapel Hill, an Ansco subcontractor hit a residential irrigation line while laying fiber optic cable. The resident only received reimbursement for the repair when news outlet ABC 11 investigated the incident.

- In Durham, the city received 439 complaints about AT&T between 2014 and November 2016. According to Durham Deputy City Manager Bo Ferguson, the city has had to periodically shut down construction crews hired by AT&T saying, “They have not always performed to our standards.”

Ansco & Associates became a contractor of AT&T predecessor company Southern Bell in 1981. Ansco’s parent company is Dycom Industries, which operates many subsidiaries.
that provide similar contracted services for the telecommunications industry. In 2010 and 2011, Dycom settled three different lawsuits against its subsidiaries brought by current and former employees for failure to pay overtime. In the last 10 years, Dycom subsidiaries have been investigated by the Occupational Safety and Health Administration repeatedly, with OSHA issuing citations totaling $192,263. In the last several years alone, Dycom subsidiaries have been cited for serious violations regarding trenching safety, asbestos exposure, and fall protection.

Despite its track record of labor law violations and poor performance, as of 2020, AT&T continues to outsource work to Ansco, undercutting the union wages and standards negotiated over decades by its own employees. According to anonymous posts on job review sites, laborers and groundsmen at Ansco may make between $10 and $13 per hour, utility locators around $15 per hour, and foremen/operators between $16 and $17 per hour.

AT&T’s Business Model Puts Pressure on Small Businesses to Squeeze Workers

In the wireless industry, many contracting companies say they do not have the power to meaningfully negotiate the contracts they sign with the wireless carriers and tower companies. In a survey of contractors conducted in 2018 by industry publication Wireless Estimator, a majority of surveyed contractors reported that carriers squeeze their cash flow in various ways, including delayed payments, prohibition on marking up certain materials or services (such as cranes), and adding administrative responsibilities that cannot be billed.

Respondents also said clients have invited more contractors to bid on each job, suggesting contractors face increased pressure on profit margins because of increased competition in a monopsonistic market (a market in which there are only a few buyers of a particular service or good). Contractors exercise limited control over construction expenses and must compete largely based on labor costs, leading to lower wages and worse conditions for tower climbers and technicians.

Forty percent of contractors surveyed said that none of the Master Services Agreement (MSA) contracts they sign with carriers were reasonable. AT&T performed the worst among carriers, with only 8% of contractors saying its MSA was the most reasonable, compared to 34% for Verizon and 26% for T-Mobile.

Selected comments from contractor companies about working with AT&T:

“We refuse to do work for AT&T or their turfing contractors. They want all the money to ‘manage’ the projects and the people who are actually doing the install get little to nothing.”

“AT&T is a bully. They used to be the best company to do work for. Gradually they became the leaders of the ‘I’ll pay you later and if you don’t like it we will get someone else’ bunch.”

“There are no ‘fair’ turf contracts because all of the turf vendors believe they can sign terrible contracts with AT&T and then pass all of the risk to their subs.”

“We pretty much get paid by less than half of any other trade out there. Eventually you’re going to get what you pay for and tragically that is why people die. AT&T & their TVs = Money Over Lives.”
RECOMMENDATIONS

- AT&T should end its relationship with Ansco & Associates and other irresponsible contractors. The company should work with CWA to in-source work to its directly employed workforce of well-trained, career technicians to ensure quality and safety, and put an end to the layoffs that are removing middle-class jobs from communities across the country.

- Congress and the next administration should enact the Moving Forward Act, which includes broadband infrastructure legislation with provisions to prevent outsourcing of work for the purpose of circumventing a CBA on federally-subsidized deployment.

- Congress and the next administration should enact the PRO Act to prevent worker misclassification and ensure workers have the right to organize and bargain.

- Congress and the next administration should support local governments in efforts to achieve transparency and accountability for work taking place in the public rights-of-way. This can be supported by enacting the Accelerating Wireless Broadband Development By Empowering Local Communities Act (HR 530) to ensure local governments have the power necessary to ensure next-generation network deployment in local rights-of-way is done safely and responsibly.
Endnotes


2 CWA records.

3 CWA records.


5 The online survey was conducted between August 11 and September 9, 2020, distributed via email to CWA members who work at AT&T.


12 Ibid.


Ibid.


46 Ibid.

47 Ibid. Sixty-five percent of survey respondents say there has been a major increase in the number of bidders attending job walks, see slide 6.