

# PRESIDENT FREDRIC V. ROLANDO

## 2012 — 2014 BIENNIAL REPORT



This report is hereby submitted to the officers and delegates to the 69th Biennial Convention of the National Association of Letter Carriers, AFL-CIO, Philadelphia, PA, July 21-25, 2014, pursuant to Article 9, Section 1(k) of the *Constitution of the National Association of Letter Carriers*.

Detailed information pertaining to many of the National Association of Letter Carriers' most important activities can be found in the following pages and in the reports of my fellow officers. I am grateful for their efforts in fulfilling their responsibilities with diligence and competence. My role has been to coordinate and supervise their activities, set an overall direction for this great union and, in a number of key areas, provide direct, active and assertive leadership in the best interests of the members of the NALC and, where appropriate, the U.S. Postal Service as well.

A handwritten signature in black ink, appearing to read 'Fredric V. Rolando'.

President Fredric V. Rolando

# NALC

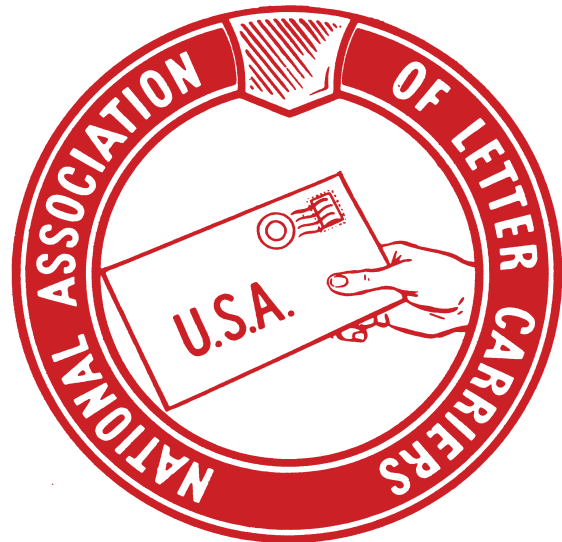
## 125 YEARS

OF

## SERVICE, SOLIDARITY

AND

## PROGRESS



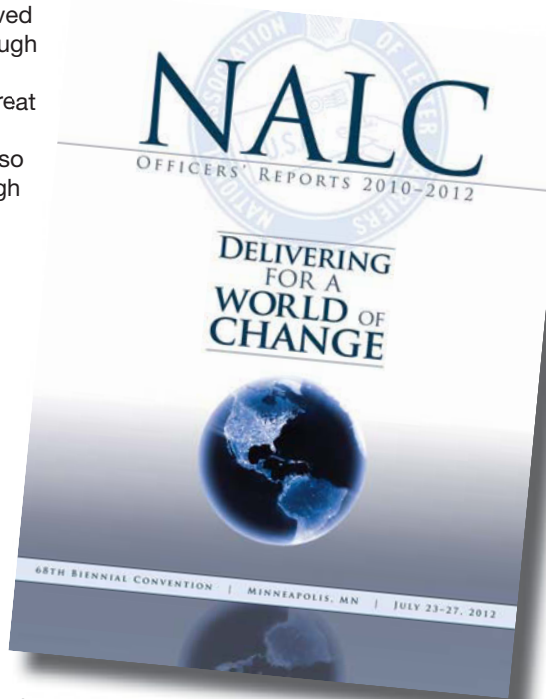
**F**EW PRIVATE INSTITUTIONS get to celebrate their quasiquicentennial—their 125th anniversary. That is especially true of labor unions. The world of work changes so dramatically from generation to generation, and the country has changed so fundamentally since the National Association of Letter Carriers was founded in Milwaukee 125 years ago. Indeed, when our union was created in 1889, the light bulb had just been invented and the first automobiles were being developed. About half of the country's population *lived* on farms (today they *employ* less than 1 percent of American workers), and just 38 states comprised the United States. So it is quite a remarkable achievement that the NALC is still a strong and vital organization in 2014—we're 125 years old and counting.

Our union has endured and thrived through decades of change—through 22 American presidencies and 39 postmasters general; through a Great Depression and, recently, a Great Recession, along with a dozen or so other economic downturns; through two world wars and a handful of conflicts fueled by the Cold War, threats to global oil supplies and terrorism; and through both an industrial revolution and an information technology revolution. Generation after generation of letter carriers have seen it all and have built a union to help them navigate every twist and turn faced by their employer, first the Post Office Department and then the United States Postal Service. It is a proud history of service, solidarity and progress—a history that we will celebrate this week at the 69th Biennial Convention of the National Association of Letter Carriers.

## A LOOK BACK TO MINNEAPOLIS

Two years ago, we met in Minneapolis at a very difficult time in the history of our union. The United States was only beginning to slowly come out of the worst recession in 80 years.

Unemployment stood at 9.5 percent (50 percent higher than today), and the USPS had recorded the biggest losses in its history—and not just because of the pre-funding mandate that we've been battling since 2006. Mail volume had declined by an astounding 25 percent between 2007 and 2012 as the recession and technology battered the Postal Service and its customers. The very future of the USPS seemed in doubt. In fact, the NALC had taken the extraordinary step of hiring an investment bank to sort through restructuring options and business model changes, as a right-wing, Tea Party-fueled Congress openly talked about dismantling the USPS and an uncertain White House caved to Republican demands to support service and job cuts in the Postal Service.



We also were just months away from an unpredictable election that threatened to bring into office a Republican president who had a long history of buying companies, then laying off their workers and stripping their assets, all to line the pockets of private-equity investors. That candidate professed open hostility toward the USPS and its unionized workers.

Public-sector workers across the country were under assault by similarly anti-labor politicians, who targeted public employee pay, benefits and bargaining rights to close budget deficits caused by the Great Recession.

At the same time, the NALC was embroiled in an extended round of collective bargaining in which the Postal Service sought massive concessions and radical changes in our National Agreement in reaction to the nation's economic crisis. The union and the USPS were headed for interest arbitration after months of failed talks and mediation.

In my report to that 68th Biennial Convention, I highlighted the immense challenges that complicated our efforts to defend letter carriers at the bargaining table and in the halls of Congress. These challenges included the depressed economy, the utter dysfunction of the legislative branch of the U.S. government, the deeply misguided managerial leadership of the Postal Service itself and the unmerciful march of information technology that was eroding our core letter mail product. It is discouraging to report that many of these same obstacles remain with us in July 2014:

- Although the nation's unemployment rate has fallen to 6.3 percent and the economy has begun to recover, the recovery remains very weak by historical standards. The decline in the jobless rate has been driven less by job creation and more by workers leaving the labor force—in effect, giving up hope of returning to work. Wages remain stagnant and the quality of new jobs has deteriorated—millions of high-paid manufacturing and technical jobs have been replaced by part-time, temporary or independent contractor jobs. These trends, combined with a brutal winter that disrupted the recovery in huge swaths of the country, have translated into tepid economic growth that weakens the demand for postal services.
- The dysfunctional 112th Congress (2011-2012) set records

for failure. It failed to address the jobs crisis in any significant way, and it actually made things worse—by causing the bond-rating agencies to downgrade the quality of U.S. Treasury bonds, for the first time in history, after threatening to default on the nation's debt. The current Congress (113th) has sunk to a new low—again by failing to take action to help the unemployed or to spark economic growth, but also by shooting the economy in the foot by provoking a mindless 16-day shutdown of the federal government in October 2013. The current Congress, like its predecessor, has failed to fix the principal cause of the financial crisis at the USPS—a law imposed by the 109th Congress in 2006 that requires the USPS to incur massive expenses to pre-fund future retiree health benefits.

- In Minneapolis, delegates called for not just the removal of the Postal Service's top managers but also for a fundamental overhaul of the governance structure of the USPS. We concluded that the postmaster general and the USPS Board of Governors had adopted a fatally flawed business strategy, one that our Lazard Co. consultants termed the "shrink to survive" strategy. That strategy, Ron Bloom of Lazard told us, was doomed to fail. No enterprise can prosper by slashing the quality of service and dismantling its core strategic assets—in our case, the invaluable six-days-a-week last-mile delivery network.

- Thanks in part to a dysfunctional Congress that refuses to enact sensible reform and to the five vacancies on the nine-seat Board of Governors, there has been no improvement in the management of the Postal Service. The postmaster general remains fanatically committed to his plan to end Saturday delivery and to systematically reduce the quality of service offered. He has no growth strategy and he is openly hostile toward providing new services, such as postal banking. We have stopped him at every

turn, but he remains stubbornly in place.

- The information technology revolution shows no signs of abating, and First Class Mail volume continues to decline, albeit at a far slower pace. In fact, in April, First Class Mail volume increased slightly over the same month in the previous year—the first time that has happened in almost 10 years. But we know that the migration of physical-transactions mail to the Internet (such as invoices, bill payments and correspondence) is all but irreversible. However, as we will see below, technological change may be one area where there is cause for cautious optimism.

That's because Standard Mail volume appears to be holding up as the economy recovers and as advertisers realize that it is fundamentally more effective than e-mail marketing. And it's because the Internet, even as it displaces business for the Postal Service, also creates new business—witness the explosion in e-commerce package deliveries. Indeed, in the first half of the year, while letter mail revenue dropped by \$300 million, the Postal Service's shipping revenues increased by \$500 million. Unfortunately, the weak economy is holding back a full recovery for the country and the USPS, and postal finances remain fragile at best nearly three years after the recession ended.

In the face of such daunting challenges, we should remind ourselves how fortunate we are to have each other and to have a union. The Great Recession was devastating for all American workers, but those in a union—and with the power to resist—fared much better than workers not in a union. Think of the auto workers in 2009; there were powerful politicians and sitting federal judges ready to simply liquidate the U.S. auto industry after auto sales plummeted to 1950-levels due to the financial crash caused by reckless Wall Street banks. Without the United Auto Workers to fight for them in the White House, Congress and the

courts, hundreds of thousands more jobs would have been lost.

Think of the state employees in Ohio, who lost and then won back their right to bargain collectively by fighting back through their unions. Without their



unions, their pay and benefits would have been cut, their pensions frozen, their jobs eliminated.

And think about what would have happened to us over the past six years without our union. If not for the NALC and the other postal unions, management and the Tea Party Congress could have done irreparable damage to the Postal Service and to the families of postal employees. The PMG's plans to end Saturday and door delivery would have destroyed 100,000 jobs. His proposals to force postal employees out of the Federal Employees Health Benefit (FEHB) Program and to replace solid Federal Employees Retirement System (FERS) pensions with risky and unreliable 401(k) accounts would have sailed through.

Many of our victories have been defensive in nature—stopping the bad stuff from happening. But let us not forget or take for granted that they are victories nonetheless—victories made possible by our union. Moreover, despite the daunting challenges of the past two years, we can point to a number of victories as well.

## A FEW BIG WINS— AND ONE BIG LOSS SINCE THE 68TH BIENNIAL CONVENTION

In this opening section of my report, I will discuss in some detail the major activities of the national union. But before doing so, let us note two major achievements of the past two years while acknowledging one huge loss. The achievements—the work we did with the rest of the labor movement during the 2012 general election to halt the surge of anti-labor political forces in America, and the contract we secured through the interest arbitration process—were significant ones. The loss, the passing of President Emeritus Vincent R. Sombrotto, was an especially searing one.

When we met in 2012, the outlook for workers in the 2012 elections was grim. Even as we struggled to overcome our disappointments with President Barack Obama to endorse his re-election, we knew that his re-election was not at all guaranteed. The political scientists looked at a 9.5 percent unemployment rate as an anvil around the neck of the incumbent president.

Meanwhile, there were few signs that the political momentum of the radical Tea Party Congress elected in 2010 could be stopped. The Supreme Court, with its *Citizens United* ruling, had unleashed a tidal wave of “dark money” (so called because its donors can remain anonymous), allowing the corporate opponents of workers’ rights and of progressive politics to spend without limit on U.S. elections.

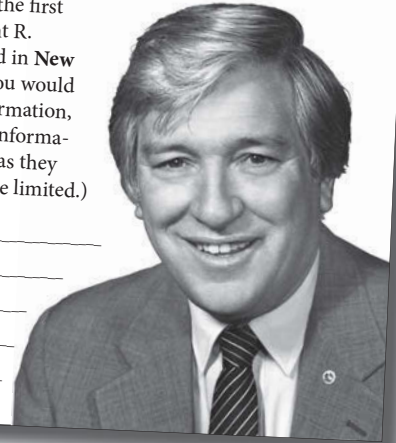
But the NALC and the other unions across the country rallied our members to fight back and to help turn back the tide. Our union endorsed more than 290 pro-letter carrier candidates and used its Committee on Letter Carrier Political Education (COLCPE) funds to support them and to release more than 150 full-time activists to get out the vote. Not only did President Obama win re-election, but pro-worker forces also achieved modest gains in both houses of Congress.

As we meet in Philadelphia, let us be inspired by that success, but let us not forget that workers lose when we don’t get every union member involved in the political process. The ghost of 2010 still haunts us—too many workers and too many unions sat out that mid-term election, and we are still paying for it today.

# SAVE THE DATE

NALC is making arrangements to honor the first anniversary of President Emeritus Vincent R. Sombrotto’s death with an event to be held in **New York on January 11, 2014**. If you think you would like to attend or you would like more information, please return this card with your contact information and we will inform you of the details as they are finalized. (The number of tickets will be limited.)

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The other great achievement of the past two years was the conclusion of the 2011 round of collective bargaining, which did not actually finish until January 2013. Bargaining with an employer that had reported losses of more than \$40 billion in recent years (no matter how inflated and misunderstood those losses were) and negotiating after the American Postal Workers Union (APWU) reached a contract we could not accept—both of these things made for an exceptionally difficult round of bargaining. But we did it over 17 grueling months, beginning in August 2011 and ending with the issuance of the Das interest arbitration award on Jan. 10, 2013.

As I will describe below, the results were not uniformly favorable—a risk that goes hand-in-hand with binding arbitration—but we did achieve our most important strategic goals. We won pay increases, kept our cost-of-living adjustment (COLA) clause, maintained the ban on the subcontracting out of letter carrier work, and developed a pathway to career jobs for non-career bargaining-unit letter carriers. We did not win on every issue we fought for, but we avoided a permanent two-tier workforce and achieved our objective to position the Postal Service to become a major player in package delivery again.

Those achievements were satisfying, if not joy-inspiring, given that we still face the daunting challenges we discussed in Minneapolis, with postal management and the politicians in Washington. But that satisfaction was tempered by the death of the animating spirit of our union over the past 40 years, Vincent R. Sombrotto. Vince died on Jan. 10, 2013—the same day we received the Das award. To say that Vince was a giant in the history of the NALC is a gross understatement. He was

a leader like no other. The outpouring of sadness and admiration that followed his death was incredible. Although dozens of carriers from all over the country attended Vince’s funeral, we knew his passing demanded a formal union event. So on the one year anniversary of Vince’s death, we organized a memorial service in New York City on January, 11 2014.

In addition to the ecumenical service at St. Francis of Assisi Church in Manhattan, where hundreds of letter carriers from around the country could pay their respects and remember Vince with his family and fellow Branch 36 members, we sponsored a dinner-celebration at Manhattan Center, where Vince helped launch the Great Postal Strike of 1970. The evening’s program featured strikers from Branch 36, Vince’s children, former Postmaster General Jack Potter and many others, including yours truly. It was a night of laughter and tears that I wish every member of the union could have attended. We have prepared a video to remember President Sombrotto to show at the Philadelphia convention, and we hope every delegate will enjoy it. God bless the memory of Vince Sombrotto.

Of course, nobody knew better than Vince that NALC conventions are always about the future. So while we can and should celebrate our long and wonderful history this week, we should also seek to draw on its lessons for inspiration for the battles ahead. And we must remember that a relentless focus on the future has always been the key to our vitality and longevity. Brothers and sisters, bearing that focus in mind, it is my pleasure to welcome you to the great city of Philadelphia for the 69th Biennial Convention of the National Association of Letter Carriers!

## II. LEGISLATIVE FOCUS: PROTECTING LETTER CARRIERS AND THE POSTAL SERVICE

**M**OST OF THIS PUBLICATION WILL be composed of reports from various national and regional officers, but in this first chapter, I wish to highlight the excellent work of the national Headquarters' departments and staff. I will first provide a more detailed discussion of my own activities, which have focused on protecting the Postal Service and the interests of letter carriers in the legislative process, the union's collective-bargaining work and our efforts to strengthen our union for the future.

Because the Postal Service is a federal institution subject to the control and oversight of the United States Congress, virtually every aspect of its operations, including its labor relations, is determined by the legislative process. How the Postal Service is regulated, how it sets its pricing, how universal service is defined—including the frequency and mode of delivery—all depend on Congress. Its decisions on these matters have huge implications for letter carriers and our job security.

But it doesn't stop there. Congress also has a say on some of the most important matters to letter carriers and their families: the kind of pension coverage we have, the quality and cost of our health insurance, our rights to organize and bargain collectively. What Congress gives us, Congress can take away.

This overriding reality has meant that the NALC has had to be deeply involved in the political and legislative process for all of its 125 years. We have needed to focus not just on the interests of our members as employees of the federal government, but also on the strength and viability of our employer, the Post Office/USPS. We have historically taken on two roles then: as protector of active and retired letter carriers and as defender of a Postal Service capable of providing high-quality, affordable and universal postal services. The first role helps define the quality of our jobs; the second helps determine whether we have jobs at all. Over the past two years, letter carriers have been quite active on both fronts.

### PROTECTING THE INTERESTS OF ACTIVE AND RETIRED LETTER CARRIERS

One of the great disappointments of President Obama's first term was the premature shift in focus that occurred after the 2010 mid-term elections. Rather than concentrate on addressing the jobs crisis and putting people back to work, Congress and the White House shifted their attention to reducing the huge federal budget deficit instead. It was as if the budget deficit had caused the economic crisis instead of the other way around.

Unfortunately, as a result of this shift, the pensions and health benefits of letter carriers, postal workers and other federal employees became targets for budget-cutters. This was nothing new. We have had to defend our benefits from cuts every time the budget deficit increased over the years. When the deficit soared in the early 1980s under President Ronald Reagan, we had to fight for more than a decade through the mid-1990s to protect pension benefits, COLAs and health benefits from cuts as Congress enacted a series of deficit-reduction laws.

We face the same challenge today. When the Obama administration took office, it inherited a federal budget deficit of more than \$1 trillion annually—tax receipts had plummeted when the economy crashed. The deficit soared even higher with the major economic stimulus bill enacted in 2009.

Then, the focus shifted. In 2011 and 2012, the new Republican majority in the House of Representatives, under the leadership of Budget Committee Chairman Paul Ryan (who would be named Mitt Romney's running mate after our Minneapolis convention), called for massive spending cuts, including major hits on our health and retirement benefits. Although Ryan supported radical plans to privatize Medicare (turning it into an underfunded voucher program for private insurance) and to slash FEHBP benefits (by capping the increase in government contributions to

premiums at the rate of inflation, massively shifting costs to employees), the biggest threat was a proposal to raise employee contributions for FERS and Civil Service Retirement System (CSRS) benefits by 5.5 percentage points. This was, in effect, a proposal to slash federal employee wages by 5.5 percent annually, a massive pay cut—contributions would go up, but not pension benefits.

NALC joined a broad coalition of federal and postal unions to resist the Ryan budget and its pension proposal. We won the battle to exempt existing employees from any increase in pension contributions, but we were extremely disappointed that we could not spare future employees an increase in such contributions. Two budget bills, one passed in 2012 and one passed in 2013, increased FERS contribution rates for new letter carriers, from 0.8 percent of pay for carriers hired before 2012 to 2.3 percent of pay for employees hired in 2013 and to 3.6 percent of pay for employees hired in 2014 or later. This three-tiered system of contributions is fundamentally unfair—workers doing the same job and earning the same pension benefits are being charged different rates. We hope to find ways to reverse these unjust budget decisions. Nevertheless, our willingness to fight back spared the 170,000 letter carriers hired before 2013 any increase in pension contributions. It also stopped the Ryan budget proposal that would have cut carrier pay by 5.5 percent annually—between \$2,300 and \$3,000 per year.

Other federal employees have fared much worse in the budget battles since our 2012 convention. Thanks to a radical faction in the Republican Party that demanded repeal of the Affordable Care Act (Obamacare) as the price for reaching agreement on the Fiscal Year 2014 budget, the federal government shut down for 16 days in October 2013. More than 800,000 federal employees were laid off. Given the furloughs these employees endured in 2012 as part of the "sequestration" required by a 2011 budget law, the shutdown added insult

to injury. The off-budget Postal Service and its employees were thankfully exempt from these blows, but we shared the disgust the country felt toward those who caused the crisis.

A two-year budget deal was reached to fund the government through the 2014 election, and the sequestration cuts were reduced, but the dysfunctional Congress remains in place and letter carriers are not out of the woods. Throughout this period, congressional opponents of the Postal Service and its employees have attempted to use the budget and appropriations process to downsize the USPS by authorizing the postmaster general's plan to eliminate Saturday mail delivery. The NALC has been forced to rise to the occasion time after time to stop that disastrous plan.

## THE BATTLE TO SAVE SATURDAY DELIVERY... AND THE POSTAL SERVICE

Philadelphia will mark the third convention in a row in which the NALC will be battling the Postal Service over the issue of Saturday delivery. For the green-eyeshaded bureaucrats and cost accountants at L'Enfant Plaza, Saturday delivery is a cost, plain and simple: "There's less mail, so let's cut service." For us, Saturday delivery is the Postal Service's competitive advantage over private competitors and a key asset in the country's economic infrastructure—our universal, last-mile delivery network. Its value will only grow as e-commerce grows exponentially in the decades ahead. And while the Board of Governors can't seem to think past the next financial quarter, we are thinking years ahead. This is a matter of business strategy and political economy.

The reason the Postal Service may be best placed to capture the majority of e-commerce deliveries to American households is that it visits every house every day to deliver letters, advertisements and magazines. That shared network makes it possible to be the low-cost provider of package delivery. Giving up that advantage makes no business sense.

Meanwhile, according to the Postal Service's own market research, nearly 40 percent of its customers want and value Saturday delivery—especially publishers who know that magazines

and newspapers are more likely to be read if delivered on the weekend, direct mailers who want coupons and ads to arrive on Saturdays when people do most of their shopping, and prescription drug distributors who can't have medicines sitting around in warehouses over long weekends while seniors wait for them. If we don't provide Saturday delivery, these mailers will go elsewhere. New competitors will arise and demand the right to deliver on Saturdays as well as the right to deposit items in the household mailboxes. By abandoning Saturday delivery, the Postal Service might cut costs, but it also would lose business.

A study done by the Opinion Research Corporation for the Postal Service in 2012 found that the USPS plan would cut costs by \$3 billion but reduce revenue by even more—\$5 billion annually. Worse, the USPS would effectively create competitors for itself. And those competitors would not be content to deliver only on Saturdays. They would demand the right to deliver every day of the week eventually. They would demand deregulation that would destroy our universal service system, as we have seen in other countries that have deregulated. And even if we could keep our publicly regulated monopoly, new competitors would demand access to Americans' mailboxes. Losing the Mailbox Statute would doom the Postal Service's ability to enforce the public service monopoly that makes affordable universal mail service possible.

Former Postmaster General Jack Potter first floated the idea of eliminating six-day delivery during the early crisis months of the Great Recession, when mail volume was plummeting by double digits. That panicked reaction to the crisis earned Potter a vote of no confidence from the delegates at the 2010 Anaheim Convention. Then his successor, Patrick Donahoe, took up the cause with zeal and stubbornness that defy logic. He crafted a recovery plan—the "shrink to survive" strategy mentioned above—with elimination of Saturday delivery at its heart. He has spent the past four years doing all he can to implement it, by any means necessary, legal or illegal.

And Donahoe has had a few powerful allies in Congress to support him, most importantly, Rep. Darrell Issa (R-CA),

chairman of the Oversight and Government Reform Committee in the House of Representatives. Fortunately, thanks to NALC activists there are many more members of Congress who oppose slashing the quality of service by eliminating six-day delivery.

In both the 112th and 113th Congresses, NALC, along with the National Rural Letter Carriers' Association (NRLCA), helped build in the House of Representatives bipartisan majority coalitions against cutting back to five-day service. In the months after we adjourned in Minneapolis, the pro-six-day "sense of the House" resolution (H. Res. 137) authored by Rep. Sam Graves (R-MO) gained 222 co-sponsors. (This helped derail Issa's disastrous postal bill, H.R. 2309.)

Once the new Congress came into office in January 2013, Graves reintroduced his resolution, now known as H. Res 30, and over months of hard work, grassroots activists in the two delivery unions recruited 222 co-sponsors for it (at this writing)—a majority of the House of Representatives that included at least 40 House Republicans at this writing. This strong support for six-day delivery has been crucial to our efforts to successfully fight off repeated attempts in Congress to cut 80,000 full-time and part-time postal jobs (mostly city and rural carriers) by eliminating Saturday service:

- In September 2012, Issa failed to remove the six-day mandate from the continuing resolution (CR) that funded the government through March 2013. He went to the House Rules Committee to try to prohibit the mandate as a violation of House rules, since it has been included in appropriation bills not approved by the Postal Service's oversight committee since 1983. Working with Rep. JoAnne Emerson (R-MO), a leader on the House Appropriations Committee, we were able to block the attack.
- In March 2013, Congress enacted another CR to fund the government through Sept. 30, 2013, the end of Fiscal Year 2013, and NALC used its e-Activist Network to help defeat an attempt by Sens. Tom Coburn (R-OK) and John McCain (R-AZ) to strip the six-day requirement from the legislation.
- After the federal government's

shutdown in October 2013, we had to once again fight to keep Saturday delivery in two more CRs: one that first re-opened the government, and a second that funded the government through Sept. 30, 2014. During the negotiations to find an alternative to the 2011 Budget Act's sequestration for 2014, House Republicans fought to make reduced mail delivery days a part of the legislative package. We worked with the other three postal unions to offer alternative postal reform savings that preserved six-day service, and we worked with Senate Budget Committee Chairman Patty Murray (D-WA) to reject Paul Ryan's latest attempt to downsize the Postal Service to reduce the deficit. The Dec. 10 Murray-Ryan budget deal secured Saturday delivery for FY 2014. Our activists, the strong support for the Graves resolution in the House and the fact that the Postal Service receives no taxpayer money (and therefore does not contribute to the deficit) helped make the difference.

- In December 2013 and January 2014, both Issa and House Majority Leader Eric Cantor (R-VA) tried one more time. Issa introduced H.R. 3801 to restore recently enacted cost-of-living cuts for military retirees who retire before age 62, a restoration paid for by the elimination of Saturday delivery. Cantor tried to use the same "pay for" in a cynically ironic attempt fund a temporary extension of emergency unemployment insurance benefits. Yes, amazingly, they proposed to "help" veterans by slashing jobs at USPS, the nation's largest employers of vets, and then suggested we temporarily help the long-term unemployed by eliminating 80,000 postal jobs. We helped beat back both proposals, thanks in part to the excellent work of our legislative and political staff.

The current postmaster general is nothing if not determined. In early 2013, seeing that Congress was likely to renew the mandate for six-day service (as it has for 30 years) Donahoe spoke at the National Press Club in Washington on Feb. 6, launching his attack with almost no warning—he called me only hours before. He announced his intention to end Saturday delivery in August 2013 no matter what Congress decided



to do with the pending appropriations legislation and its included six-day mandate. Invoking a novel and fallacious legal theory, Donahoe effectively claimed that the USPS was not bound by congressional continuing resolutions. With Issa's backing, the PMG basically claimed, outrageously, that he was above the law. I have never been more proud of the way our union responded. We vowed to mobilize in the streets, in Congress and, if need be, in the federal courts. And that's exactly what we did.

As luck would have it, we had a national rap session scheduled for Feb. 9 in Las Vegas—three days after Donahoe's Press Club announcement—to talk about our new contract with the Postal Service. We used the meeting to set into action a plan to fight Donahoe's illegal power grab. We organized protests at hundreds of sites across the country, attracting local and national media coverage. In many parts of the Northeast and Midwest, hundreds of carriers and friends braved winter weather to educate the public about the PMG's reckless plan. They were joined by thousands of private citizens, small-business owners, veterans and others who joined our campaign to strengthen the Postal Service at



the Delivering for America website.

Our allies in Congress also joined the protests, and dozens of politicians issued statements denouncing the Donahoe scheme to go around Congress. Rep. Gerry Conolly (D-VA) called on the Government Accountability Office (GAO) to

investigate the Postal Service's bogus legal claims of authority. NALC's lawyers were prepared to go to court had Donahoe gone forward.

On March 21, 2013, the GAO issued a report that totally dismantled the PMG's legal claims and concluded that the USPS could not unilaterally eliminate Saturday delivery if Congress enacted a CR similar to CRs adopted in the past. Issa urged the PMG to ignore the finding, but after dithering for several weeks, Donahoe's bosses at the Board of Governors announced that USPS would obey the law. It was a big victory for NALC and its allies. But as discussed above, that was just the beginning of our fights on this—all of the budget and appropriation fights lay ahead of us.

Indeed, as this report was being prepared, we faced new threats to Saturday delivery—a stand-alone bill from Issa was introduced in May 2014 to implement the postal proposals

contained in President Obama’s 2014 budget. Most of the administration’s proposals—to restructure the retiree health pre-funding mandate, to make permanent the 2014 exigent rate increase of 4.3 percent (approved by the PRC in 2013), and to allow the USPS to end Saturday delivery—had been ignored for three years as the budget process collapsed into gridlock.

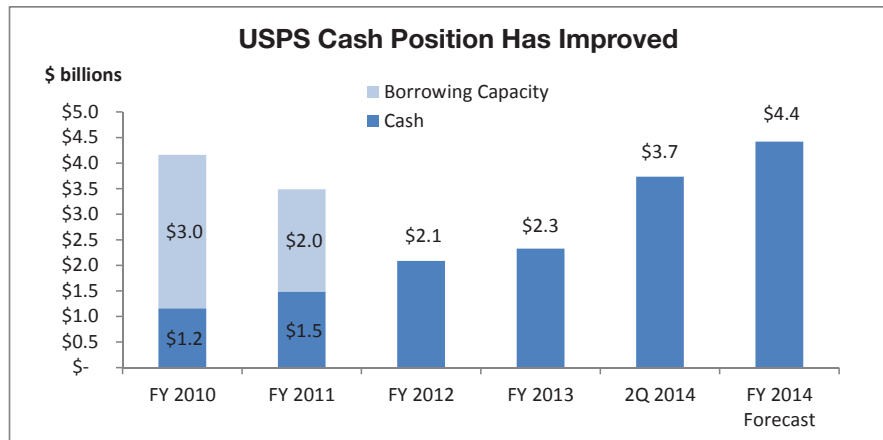
Back in 2011, during the “grand bargain” budget talks between Cantor and Vice President Joe Biden, the Obama administration had given into demands from the PMG and from House Republicans for the cut in Saturday delivery. Going forward, despite our staunch opposition, the White House has included the cut in every budget since 2012. With his own bill stalled, Issa has threatened to mark up selected portions of the postal proposals in the Obama budget for 2014—most notably, the proposal to end six-day delivery. (Issa later changed his mind and introduced H.R. 4670, a stand-alone bill to end door delivery instead.)

The silver lining surrounding Issa’s latest threats against Saturday delivery is that the Obama administration has agreed to discuss alternative proposals for postal reform in next year’s budget. The 2013-2014 financial turnaround at the Postal Service and a change of personnel at the Office of Management and Budget give us hope that we can turn the administration in our favor.

Of course, the fight to save Saturday delivery will continue until we resolve the underlying crisis the Postal Service faces, by enacting the right kind of comprehensive postal reform, a topic to which I turn next.

## PROGRESS IN THE LONG STRUGGLE FOR POSTAL REFORM

Casual observers would be forgiven for concluding that the period after the Minneapolis convention looks remarkably like the two years before that convention. After all, the current 113th Congress (2013-2014), like the 112th Congress (2011-2012), has failed to produce workable postal reform. In both Congresses, Issa introduced totally unacceptable bills (H.R. 2309 in



the 112th, H.R. 2748 in the 113th) that would effectively dismantle the Postal Service, destroy 100,000 jobs (with the elimination of Saturday and door delivery) and attack our collective bargaining rights, while leaving in place the crushing and unaffordable mandate to pre-fund future retiree health benefits. In both cases, Issa’s bills were jammed through his Oversight and Government Reform Committee on party-line votes and then stalled due to a lack of support in the full House.

Similarly, on the Senate side of the Capitol, over the past two Congresses, Sen. Tom Carper (D-DE) has struggled. Seeking a filibuster-proof bill with GOP support, he produced deeply flawed postal reform bills (S. 1789 in the 112th Congress, and S. 1486 in the current 113th) that propose service cuts (to door delivery and, after a grace period of varying lengths, Saturday delivery), Federal Employees’ Compensation Act (FECA) benefit reductions, and unwelcome interference with our collective-bargaining process. S. 1486 is an improved bill in some aspects (e.g., retiree health pre-funding), but it retains unacceptable service cuts and attacks on postal employees, and it adds a new unfair pre-funding mandate (for workers’ compensation), plus and an amendment from Sen. Rand Paul (R-KY) to allow guns on postal property, an amendment that had effectively stalled the bill for months at the time of this writing.

So today, as in 2012, we have no clear path forward on postal reform as we meet in Philadelphia. Neither the NALC nor the rest of the mailing industry can support the bills that have emerged from our committees in Congress, where they await floor action in both houses. Today *stalemate* and *legislative dysfunction* are the catch-

words, just as they were two years ago in Minnesota.

To those not following the process closely, it may look as if we are not making any progress. In fact, we have made important progress toward our ultimate goal of strengthening the Postal Service for the 21st century. First, we have changed the conversation about the future of the Postal Service by educating Congress on the financial recovery of recent years. Second, we have built unity among the four postal unions by creating an alliance to fight for progressive reform and quality service. Third, we have built a consensus among the employee groups and the largest mailers’ organizations and trade associations on a package of reforms that would return the Postal Service to long-term viability. Each area of progress is worth considering as we go forward.

## CHANGING THE CONVERSATION

Two years ago, the conventional wisdom in Washington was still mostly that the Postal Service was “doomed.” People knew that the Internet was killing the Postal Service, period—end of story. We have worked to battle this conventional wisdom in our media and lobbying activities. In 2012, we could prove that pre-funding had accounted for 75 percent to 80 percent of the financial losses reported by the USPS. Today, we can show that the Postal Service would be profitable but for the pre-funding mandate (see the chart on opposite page). Indeed, not only would the Postal Service have been profitable in 2013 (with a surplus of \$600 million), but it had also racked up a surplus (before pre-funding) of more than \$1 billion in the first half of 2014.

We have also been able to show that the Internet creates as much business



(e-commerce deliveries) as it destroys (bill payments, etc.), and that Standard Mail remains an excellent advertising option. Our message to Congress and the media is the same: The Postal Service is recovering and can be viable for the long-term, as long as we do not weaken its invaluable first- and last-mile networks.

Challenging the conventional wisdom is important because Congress cannot fix the problems the Postal Service faces unless it first understands those problems. If the USPS is not dying, Congress should not be preparing for its funeral with downsizing and pre-funding mandates designed to lower the hypothetical cost of a hypothetical future taxpayer bailout. That is the problem with the bills now before Congress: Too many politicians are legislating as if it is still 2009 and the Postal Service is still reeling in the face of technology and a housing collapse. The housing market and the economy are slowly recovering and, thanks to an e-commerce boom, the USPS is recovering. Our financial condition remains in a fragile state, given the crushing cost of pre-funding, but there is hope for the future. That more positive future requires reforms of quite a different nature.

**BUILDING UNITY WITH A POSTAL ALLIANCE**

Another area of progress is the work we have done since Minneapolis

to build unity among the four postal unions. In 2012, divisions between the four postal unions over legislative strategy led the two delivery unions to oppose S. 1789 and the two other unions to support its passage. That division weakened our capacity to demand improvements to the bill and, ultimately, our ability to prevent from winning passage in the Senate a bill that called for massive service and job cuts. It also empowered our anti-union opponents and gave a “get-out-of-jail-free card” to supporters who could claim to take a pro-labor stance by supporting S. 1789. That unhappy experience, and the election of new leadership at the APWU, drove me to try a different approach this year. I now place a much higher value on unity among the unions. I am pleased to report that the new approach has paid off.

I and my counterparts at the APWU, the NRLCA and the National Postal Mail Handlers Union (NPMHU) actually started working together in earnest in December 2013 when we met regularly to plot legislative strategy with respect to the Murray-Ryan budget talks (see above). To his everlasting credit, outgoing APWU President Cliff Guffey invited his successor, President-elect Mark Dimondstein, to take part in these consultations. The four unions developed a postal reform plan that would solve the pre-funding problem, provide surplus FERS funds to pay

down our debt, and increase postal revenues through new pricing and product freedoms.

We offered the plan to Senate leaders as well as to Carper and Coburn, the chair and ranking member (respectively) of the Senate Homeland Security and Governmental Affairs Committee. The plan was presented as an alternative to Ryan’s demands to cut Saturday delivery in his negotiations with Murray.

The key to the plan was a solution to the pre-funding crisis. We showed how adopting sensible FEHBP reforms to take full advantage of drug, hospital and medical coverage under Medicare for postal annuitants could wipe out the unfunded liability for retiree health benefits. In the end, we did not get our plan in the final budget deal, but we were happy it helped thwart the proposed delivery cuts.

As we worked together, the four unions decided to formalize our alliance by adopting a statement of principles in March 2014. The statement commits the unions to work together toward a common vision of postal reform that will preserve the Postal Service as a public institution organized to serve the public interest. We also vowed to fight service cuts and any proposals to outsource or privatize postal work in America. Since creating the alliance, the four unions have worked together on postal reform, budget legislation and other activities. We have tried to draft joint letters to Congress when feasible.

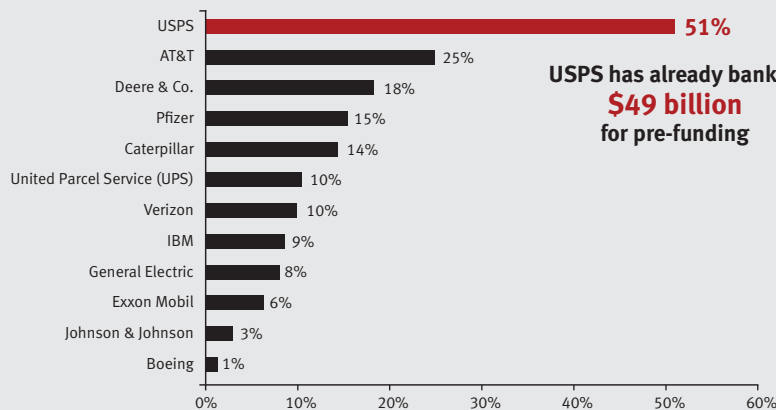
**USPS financial results are driven by non-operating items (\$billions)**

Year	Reported Net Income/ (Loss)	Non-Operating Expenses		Income Excluding Non-Operating Expenses
		Retiree Healthcare Pre-funding (RHBP) expense	Impact of Workers Comp adjustments	
2007	\$(5.1)	\$(8.4)	\$0.1	\$3.2
2008	\$(2.8)	\$(5.6)	\$(0.2)	\$3.0
2009	\$(3.8)	\$(1.4)	\$(1.1)	\$(1.3)
2010	\$(8.5)	\$(5.5)	\$(2.4)	\$(0.6)
2011	\$(5.1)	\$0	\$(2.4)	\$(2.7)
2012	\$(15.9)	\$(11.1)	\$(2.4)	\$(2.4)
2013	\$(5.0)	\$(5.6)	\$0.3	\$0.3
1H 2014	\$(2.2)	\$(2.8)	\$(0.4)	\$1.0

## USPS pre-funding

vs.

### S&P 500 companies' savings for retiree health care obligations



USPS has already banked  
**\$49 billion**  
for pre-funding

*In the private sector, pre-funding would be tracked as Other Post Employee Benefits (OPEB), which is what is compared here.*

*Sources: USPS Financial Statements, Database of OPEB Liabilities for S&P 500 Index companies for year-end 2012, Milliman 2013 Pension Funding Study.*

This solidarity and unity have strengthened all postal employees.

On April 24, that strength was on display across the country as letter carriers and mail handlers joined with our brothers and sisters at the APWU to fight Donahoe's plan to outsource postal clerk jobs to low-wage, non-union workers at Staples, a major office products retailer. On that day, we joined protests in dozens of cities across the country to send a message to the PMG and to Staples: No to privatization and no to weakening our existing post office network.

Although we do not oppose innovation and believe in making it as easy as possible for Americans to access postal services, we cannot support staffing USPS counters in retail shops with non-postal employees. We urged the Postal Service to renegotiate the terms of its pilot project with Staples and to assign APWU members to do the work. Just as we welcomed the support from our brothers and sisters in 2005 and 2006 to fight contract delivery service, NALC must support our

brothers and sisters who face the threat of subcontracting.

Going forward, our alliance will work on advocating vote-by-mail and postal banking among other services. We believe that the USPS should innovate and grow to meet the evolving needs of our society. Finding new ways to serve the country is a much better way to plan for the future than planning for the agency's funeral, which is the vision offered by the postmaster general and his supporters in Congress.

#### **BUILDING A BROAD COALITION FOR CONSENSUS REFORM**

The final area of progress is the success we have had with building a broad coalition in the mailing industry for targeted postal reform. The plan we developed in December 2013 with the other unions became the core of a consensus plan that we can offer Congress in the future. We took the lead over several months to have conversations with major segments of the mailing industry, including direct mailers, parcel shippers, magazine publishers, printers and the whole range

of First Class Mail users in the banking and services industries. We coalesced around our common opposition to H.R. 2748 and S. 1486 and focused on a more targeted set of reforms that would put the Postal Service on solid financial ground with the opportunity to grow in the future. We adjusted our plan to reconcile it with the differing views of the mailers on postage rate-setting—providing for a short-term boost to rates, but essentially deferring the issue to the future when it will be resolved at the Postal Regulatory Commission in 2017, as required by current law. Most importantly, we set aside all service cuts—no change to Saturday delivery, no change to door delivery, and a halt to additional service standard changes.

Our analysis of the plan shows that it can restore the Postal Service to consistent profitability, help pay down its debt, make investments in new vehicles and products and avoid self-destructive service cuts. The coalition is now working together to promote this alternative approach to reform. We are hopeful that a labor-business coalition will help us build the kind of bipartisan support necessary to pass any legislation that affects such an important national institution like the Postal Service, even as we understand that any such coalition is necessarily more fragile.

The outlook for reform remains murky at best. But the progress has been real, thanks in part to the thousands of letter carrier activists who have given to COLCPE, responded to e-Activist messages and engaged in the political process to protect their fellow letter carriers. In view of this progress and the Postal Service's fragile recovery, I can confidently say that we are in a much stronger position today than we were in back in 2012. But it will take perseverance and skill for us to bring the long struggle for postal reform to a successful conclusion. I'm betting on the NALC to win.

## III. BARGAINING FOR A CONTRACT WITH THE 21ST CENTURY POSTAL SERVICE

Much of the story of the 2011 round of bargaining was discussed in Minneapolis. Just days after we adjourned in 2012, we entered into an interest arbitration process for the sixth time in our

history. The challenge we faced in the 2011 round of bargaining was that the Postal Service reported record losses due to the economic crash in 2008, and the agreement reached by the APWU in

2011 complicated the task of resisting major demands for concessions from the USPS, particularly with respect to the size and terms of compensation for non-career workers. We tried really

hard in bargaining to think ahead to the changing structure of the mailing industry—we knew that letter mail volume would continue to decline but that there were huge opportunities to exploit in the burgeoning e-commerce market. Our major goals in arbitration were the same ones we had for bargaining:

- reward carriers for their efforts to save the Postal Service during the crisis;
- defend our standard of living by maintaining the integrity of our wage schedule and keeping our COLA clause;
- retain the ban on subcontracting achieved in the preceding contract;
- create a path to career jobs for non-career letter carriers; and
- position the Postal Service and letter carriers to capture future growth in package delivery.

The arbitration board was chaired by a well-respected arbitrator named Shyam Das, who was already known to both parties due to his work on our national rights arbitration panel. Das had an excellent understanding of the Postal Service and the work of letter carriers.

The process we followed was unique in the history of postal impasse procedures. Most of the evidence and most of the exhibits, from both parties, were submitted in written form. Extensive evidence supporting both parties' positions was prepared and entered into the record.

NALC called on multiple witnesses to provide testimony on the impact of pre-funding on USPS' finances, the efforts letter carriers made to help the Postal Service adjust routes in the most efficient and fair manner possible, and the level of pay and benefits provided by FedEx, UPS and other comparable employers. The union offered bold and innovative health care reforms as an alternative to the Postal Service's demands for pay freezes and a two-tier wage schedule along with reduced annual and sick leave. We also provided extensive rebuttal evidence to counter the testimony of USPS expert witnesses.

Thanks largely to the tireless efforts of the NALC's officers, staff, legal team and expert witnesses, the Das award issued in January 2013 allowed us to meet most of our strategic goals for a quite difficult round of bargaining



(see the "Overview" section above). We didn't win all of our battles, but we believe the process produced a fair contract for letter carriers as a whole.

It also produced a fair deal for the Postal Service. Evidence of this is that the new contract has allowed the USPS to recover from one of the most devastating economic collapses in the history of the United States.

## THE DAS AWARD, CCAS AND THE NEW CARRIER WORKFORCE STRUCTURE

The changes called for by the Das award were dramatic. It eliminated the transitional employee (TE) category of non-career workers that was created in 1993 by the Mittenthal Award, ending a category of employees who had no chance of becoming career employees. The award created the non-career city carrier assistant (CCA) position, following a pattern established by the APWU contract, but provided a new path to career employment for these CCAs (something the APWU contract did not do for its so-called PSEs).

The award also implemented a long-time goal of the NALC: creation of a 100-percent full-time career workforce. The bulk of the workforce portion of the award focused on the creation of CCAs, a lower-cost, flexible group of workers designed to cover leave replacement for career letter carriers and to meet fundamental changes in the business environment, such as deliveries of packages outside of normal

business hours (including evenings and Sundays). For NALC, the CCA workforce is still a work in progress that has dominated the collective-bargaining work of the union since January 2013.

While the award provided a path to career employment, it did not specify the timeline and mechanism for conversions to fill thousands of career vacancies and opportunities. We needed a defined process to fill vacancies with part-time flexibles (PTFs) and CCAs converted to full-time career status. We also recognized the need to open the door for transfers that had been pending in the eReassign system for months—and, in some cases, even years.

In August 2013, we entered into Memorandum of Understanding (MOU) M-01824, which defined the process for filling residual vacancies in our craft. This MOU allowed many transfers to finally be processed, and it has resulted in thousands of PTF and CCA conversions to full-time career status.

We also agreed to two other MOUs that (1) waived the probationary period for CCAs converted to full-time career status if they had successfully served as city carrier TEs directly before their initial CCA appointment, and (2) allowed the parties at the local levels to elect whether employees converted during the middle of a calendar quarter could sign the overtime desired list.

Each of these three MOUs was set to expire March 31, 2014. On that day, we extended the three MOUs through March 31, 2015, incorporating changes that provided more full-time regular career opportunities and giving a greater priority to CCA career conversions within installations.

To date, implementation of the MOUs has resulted in nearly 5,000 PTFs and close to 10,000 CCAs being converted to full-time career status.

## TAKING ADVANTAGE OF OUR LAST-MILE ADVANTAGE IN PARCELS

The NALC recognizes that our last-mile advantage—the fact that we visit 152 million addresses six days a week—gives us a huge leg up in the booming world of e-commerce. The private companies reach at most 20

million addresses a day, five days a week. The Postal Service's growth in shipping over the past several years shows the potential—our total shipping revenue increased from **\$7.8 billion** in 2007 to **\$12.5 billion** in 2013 as our market share in residential package delivery rose from 14.2 percent to 23.5 percent over that period. Given that e-commerce sales account for just **8.0 percent** of total retail sales, the upside potential is enormous.

For that reason, we want to work with the Postal Service as best we can to build a 21st-century Postal Service that will focus on direct mail and package delivery—and, it's hoped, other civic services and commercial services provided imperfectly by the private sector.

The USPS does not always make it easy to cooperate with management. The unhappy experience with the MetroPost pilot test in San Fran-

cisco is a case in point. MetroPost was designed to offer local businesses the ability to offer same-day or next-day delivery to compete with huge online retailers such as Amazon and Best Buy. While NALC made every attempt to facilitate the success of the test, the pilot flopped due to a lack of preparation. However, the USPS seems to be having more success with a MetroPost test in New York City.

The other pilot test that showed ever more promise was the one with Amazon to provide Sunday delivery of packages for its Amazon Prime customers. The Postal Service has been delivering for Amazon for years. What's new is Sunday and sometimes evening delivery. The test was begun in May 2013 in various cities across the country. It was expanded to 900 ZIP codes in November 2013 in two metropolitan areas (New York and Philadelphia), and it proved so successful that the service

will be expanded to cover 7,000 ZIP codes this summer. As it now stands, the Amazon deal is serving 2,000 ZIP codes, averaging more than a quarter million deliveries every Sunday.

With regard to e-commerce, the sky is the limit. The USPS should expand the service to other retailers—just as we have unionized FedEx's delivery operations with the packages we deliver for FedEx SmartPost, we should aim to unionize a portion of Walmart's operation by delivering for that retail giant. There are many more retail companies—big and small, national and local—that we should try to serve. Nobody has a better network than we do. What we lack is the kind of visionary management and business strategy that could reinvent the Postal Service and the jobs of letter carriers for the Internet age. To get that, we must continue to build on the strengths of the union.

## IV. BUILDING A STRONGER UNION... PREPARING FOR OUR SESQUICENTENNIAL

I would like to conclude the report on my activities over the past two years by talking about how we are planning for the future. And by future, I don't just mean this fall's mid-term elections or the 2016 presidential election, or even the 2016 round of bargaining—though we are already preparing for those important activities. Rather, I mean the next 25 years. This year's milestone 125th anniversary leads me to think about how we can position the NALC to be as strong at the next big milestone—our 150th anniversary, or sesquicentennial—as we are today. Let me highlight four areas of focus since the last convention: organizing the next generation of city carriers, strengthening our political and legislative capacities, investigating the need for structural reform in NALC, and imagining the Postal Service of the future—let's say the Postal Service of the year 2039, for example.

### ORGANIZING CCAS, ORGANIZING THE FUTURE

Between 2007 and 2013, the pace of hiring in the Postal Service had slowed to a trickle as mail volume plummeted

and the financial crisis deepened. Our bargaining unit was steadily shrinking and, *ahem*, getting older—yours truly included. Our craft and our membership shrank by between 10 percent and 15 percent—not least because the financial crisis led postal management to grossly understaff delivery operations across the nation, placing tremendous pressure on our active members.

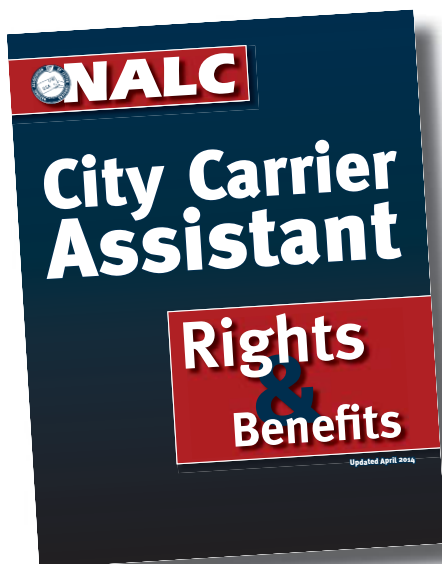
That started to change in 2013. The creation of the CCA classification led to a huge injection of fresh blood into our union—posing both an opportunity and a challenge for organizing a new kind of workforce.

We faced the same challenge with non-career TEs, to a certain extent, and did "OK" with signing up TE mem-

bers. Although TEs were paid at the same rate as PTFs, they had no path to career status and our level of organization among them was far below the 93 percent to 94 percent organization rate for career letter carriers.

The challenge of organizing CCAs was much greater because there are considerably more CCAs allowed under the new contract than the number of TEs permitted before. In addition, because CCAs make up the pool of future career city carriers, the stakes for organizing CCAs were and are much higher.

As I told my colleagues on the NALC Executive Council, organizing CCAs is



not just about collecting dues to help fight the epic battles we face today; it's about organizing the future of the NALC. I argued that we simply could not to accept the lower level of affiliation we long accepted with TEs.

So we went to work. We created a new organizing program for CCAs, focusing first on assisting existing TEs with taking the city carrier exam to gain eligibility for future CCA and then career employment.

We developed a special guide for CCAs to explain their rights under the 2011-2016 contract, and we produced a video for new employees to explain the value of NALC membership.

We expended the resources to deploy organizers and to track our progress across the country.

And, of course, we continue to commit significant resources to expedite the conversions of CCAs to career.

The work is not done, but we have early indications that our organizing rate among CCAs is increasing as both CCAs and career members have risen to the task. Although paid at a lower entry rate, our CCAs, who now have a clearly defined career path, are joining the union at a much higher rate than did TEs, and we fully expect the organizing percentage of CCAs to approach that of career carriers in the future, so long as we keep working hard together.

More importantly, all across the country, CCAs are getting involved with NALC, helping with the Food Drive, raising money for the Muscular Dystrophy Association (MDA), signing up to do grassroots lobbying, and becoming branch activists, shop stewards and even local branch officers. This bodes well for our future.

## IMPROVING OUR POLITICAL AND LEGISLATIVE CAPACITY

The NALC can be rightly proud of its tradition in political action. The men (there were no women present) who founded the union in 1889 were experienced activists who had lobbied Congress for years to provide and then to improve benefits for Civil War veterans such as themselves. Next to the Great Postal Strike, Vince Sombrotto's greatest legacy may have been the sophisticated legislative and political field operation he built at NALC Headquarters.

But as the challenges we face have increased in difficulty and complexity, we must find ways to keep improving our capacity. Over the past couple of years, I have made it a point to interview all of our legislative state chairs to learn about what's working and what's not. We have begun to restructure the way we do legislative training—shifting the focus to the field—and the way we will use our field resources in the future. We've hired consultants to help us review our communication and messaging operations and we will be implementing improvements this year—including a fully redesigned website and social media platform for the future.

At this convention, I also want to enlist the help of delegates to strengthen our political action fund, COLCPE. We can be proud that nearly 30,000 NALC members give to COLCPE. But that means that 90 percent do not give to COLCPE. That is simply not good enough—especially in an age of “super PACs” and the *Citizen's United* ruling by the Supreme Court. We must educate our members about the risks we face in Congress—to our jobs, our pensions and health benefits, and to our collective-bargaining rights.

There are forces loose in America that want to take these things from us, and the battleground is in Congress. Since we cannot use dues money to protect ourselves from these threats, we must rely on COLCPE contributions. I am convinced that if the 90 percent who don't give now understood the risks and realities of our political system, they would gladly contribute. So those of us who already give must be leaders to educate our fellow carriers on the need to contribute.

We have been moving away from

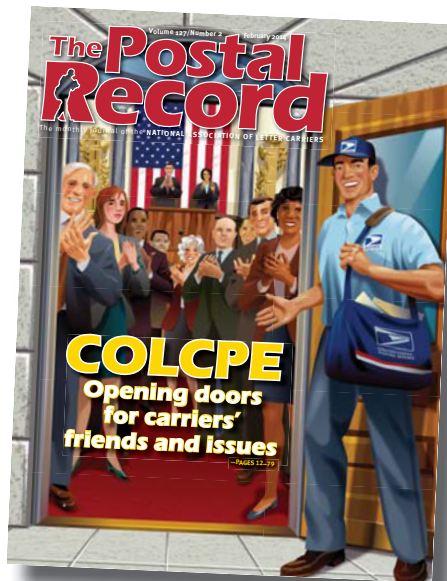
using our PAC to simply give contributions to friendly candidates. Increasingly, we want to use the funds to release letter carrier activists to work on voter registration and education campaigns at the grassroots level. We will also use the funds to work with Workers Voice, the AFL-CIO's super PAC, so that we can reach out to all working-class voters, not just our own members. And we are experimenting with using our funds to work with allied unions and organizations to make targeted independent

expenditures in support of true champions of the union movement.

But to really strengthen our political capacity, we need to rebrand COLCPE so that our members know what it does for them and their families. We can start by changing its name at the Philadelphia convention—we will ask the delegates for help on what that new name should be. I hope that a new name will make it easier to convince 100 percent of our members to do their part in the political and legislative work of the union—to give \$5 per pay period and to get engaged in our grassroots lobbying efforts. It will also make it clear to the politicians we support where the funds we contribute come from—hard-working letter carriers who represent what is best about America. Raising our game in raising funds for our PAC is just the beginning; we must look for other ways to strengthen our union over the next 25 years.

## STRENGTHENING THE NALC'S STRUCTURE AND OPERATIONS

At the Minneapolis Convention, we began a discussion about the future



of the NALC, its structure, and possible reforms we might consider to become more efficient and effective in the face of a declining membership and, paradoxically, growing needs for union action to protect the interests of letter carriers. The debate we began in Minneapolis, which generated dozens of ideas for reorganizing our conventions, our regions and our activities, has continued in NALC Executive Council meetings over the past two years.

To advance that discussion further, I have appointed a special review committee, made up of branch, state and national leaders, to report on these matters to the Philadelphia convention. We will add some data to the ideas we discussed and will seek to deepen the debate and create a process that will lead to solid proposals for reform in the future. Our goal will be to create a more powerful union so that letter carriers can shape their destinies together.

## IMAGINING THE POSTAL SERVICE OF THE 21ST CENTURY

In the 20th century, most unions accepted a rough division of labor between themselves and management. Managers made business decisions and unions focused on getting the best terms and conditions possible for their members. That division of labor might have worked back then, even for the NALC and other postal unions. But it certainly won't work in the 21st century. The future of our employer is too important to leave in the hands of postal management. That is not a frivolous statement, thrown out to elicit knowing chuckles. That is a serious imperative for the leaders of this union—the men and women assembled in Philadelphia.

Left to its own devices, the executive management of the Postal Service has proven over the past four years that it is incapable of rethinking the future of the USPS. It has accepted the conventional wisdom that the USPS must simply shrink. It sees six-day delivery as a burden, not a network asset. It sees letter carriers as a cost component, not the source of creativity and innovation we know we can be.

We have been pushing back as hard as we can. We have called the Board of Governors on their relentless pessimism and lack of vision. We have challenged the postmaster general and other leaders to think about using our existing networks to provide new services to the American people. Let me give you one example.

In one of my first speeches as president of the NALC in 2009, I called for using the Postal Service's 35,000 post offices as the retail network of a national infrastructure bank. That bank could funnel the money in postal savings accounts into national infrastructure bonds to rebuild our highways, bridges, ports, rail stations and electrical grids. It could also provide low-cost financial services

to Americans who have been abandoned by the nation's private banks (in rural and inner-city areas). I got polite applause and some interest on Capitol Hill. The Postal Service was not interested.

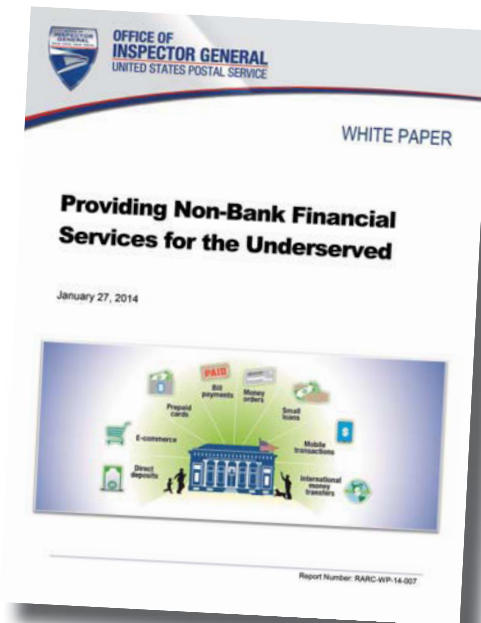
Then earlier this year, the USPS Office of the Inspector General (OIG) issued a report that concluded that the Postal Service already has the authority to provide non-bank financial services (payment services and small-scale savings vehicles, but not commercial loans and mortgages). Even more interesting, the OIG found that tens of millions of Americans without bank accounts spend nearly \$90 billion annually on high-cost financial services from check cashing stores, payday loan companies and pawn shops—a kind of shadow banking system of non-banks.

The OIG report put two and two together and called on the Postal

Service to offer services to those relying on the expensive shadow system. It predicted the USPS could earn \$8.9 billion annually while providing better services to the "unbanked." The report garnered a huge amount of attention, and political leaders such as Sen. Elizabeth Warren (D-MA) have enthusiastically endorsed the OIG's ideas.

How did the Postal Service react to this development? Incredibly, both

the postmaster general and the chief financial officer rejected postal banking out of hand. They did so even though postal banking has taken off all over the world in recent years—in France, Italy, New Zealand and Brazil—providing financial stability in a time of technological change. NALC and APWU are now actively working



to organize a national conference on postal banking this fall. Perhaps we can convince someone from postal headquarters to attend.

The lesson I have drawn from this is that it is up to us. We cannot count on the current Postal Service management or its Board to save the USPS. We have to do it ourselves. We have to get strong enough and mobilize enough allies and enough of the public to force change in Congress. We need a new governance structure and new management. But most of all, we need some imagination and a willing NALC partner at L'Enfant Plaza.

That is the challenge for the next two years and for the next 25 years as well. That is the mission we must embrace in Philadelphia. If we do, I am confident that we will extend our 125-year streak of service, solidarity and progress to well beyond our sesquicentennial year.