

Report of the Defense Fund Oversight Committee to the 73rd Convention

CWA

**Communications Workers of America
July 11-13, 2011
Las Vegas, Nevada**

Report of the Defense Fund Oversight Committee to the 73rd CWA Convention

Through resolutions and rules adopted by various CWA conventions, the Defense Fund Oversight Committee (DFOC) is charged with the responsibility to review activities associated with the Defense Fund, The Robert Lilja Members' Relief Fund and the Strategic Industry Fund. The DFOC is authorized to examine receipts, disbursements, investments and the administrative policies associated with the funds. The DFOC may also, with a 2/3 vote, affirm CWA Executive Board actions that are consistent with the rules governing certain funds. The DFOC is required to report its findings to each Convention and make recommendations to the Convention where appropriate.

The Defense/Members' Relief Fund Oversight Committee met on January 10-13, 2011 and May 2-3, 2011 in Washington, D.C. We met again prior to the Convention. The Committee reviewed activities associated with The Robert Lilja Members' Relief Fund (RLMRF), the Defense Fund (OF) and Strategic Industry Fund (SIF).

INVESTMENTS

Prior to the Convention, the DFOC met with representatives of the Marco Consulting Group (MCG) to review investment performance for the Robert Lilja Members' Relief Fund and the Defense Fund. MCG was selected to serve as investment advisors and co-fiduciaries on these funds effective June 1, 2009, after a Request for Proposals was issued for these services in the spring of 2009. MCG first presented an investment analysis to the DFOC at the CWA Convention in June 2009, and has subsequently updated the committee on investment performance at meetings in Washington, D.C. MCG is responsible for monitoring and verifying that fund investments are made in accordance with guidelines established by the President and Secretary-Treasurer, who are trustees of the funds.

As of March 31, 2011, the RLMRF had a value of \$414,019,000. This represents a \$21.3M or 5.4% increase over the fund's \$392,681,462 balance at March 31, 2010. According to RLMRF guidelines, when the fund's assets fall below the floor of \$377,494,108, the quarter hour dues that would otherwise be sent to the Strategic Industry Fund are retained by the RLMRF. Once the target floor balance is achieved, the quarter hour of dues is redirected to the SIF and the RLMRF's growth is fueled by investment returns and asset appreciation. The RLMRF did not fall below the floor during the period from March 31, 2010 to March 31, 2011.

The Defense Fund had a balance of \$13,831,000 as of March 31, 2011, a \$1.2M or 9.7% increase from its \$12.6M balance as of March 31, 2010. While the fund experienced \$4.8M in gains during the 12-month period, \$5.5M were distributed.

THE ROBERT LILJA MEMBERS' RELIEF FUND

The balance of the RLMRF as of March 31, 2011 is **\$414,019,000**.

The DFOC has reviewed the current mortgage rates and in light of the decline in commercial mortgage rates, we propose a reduction in new mortgages from the current rate from 7.73% to 6% for a 15 year fixed rate loan or 6.5% for a 30 year fixed rate loan. The fund shall be the first lien holder. The loan may be up to 80% of current appraised value and with a clear title. Those holding current mortgages can apply to modify an existing loan. Locals who wish to refinance to the new rate must obtain a new appraisal for their building and sign new paperwork. Financial records will be reviewed prior to approval.

Mortgage loans held by the MRF as of March 31, 2011 are:

| LOCAL | BALANCE @ 03131/11 | LOAN AMOUNT |
|--------------|---------------------------|----------------------|
| 1040 | 835,589.10 | 1,206,000.00 |
| 1107 | 171,236.37 | 200,000.00 |
| 1109 | 487,793.22 | 525,000.00 |
| 1118 | 206,237.94 | 250,000.00 |
| 1133 | 916,078.44 | 1,000,000.00 |
| 2108 | 642,296.65 | 698,000.00 |
| 2222 | 143,369.86 | 261,000.00 |
| 3314 | 48,598.34 | 120,000.00 |
| 3406 | 66,049.54 | 125,000.00 |
| 3407 | 16,929.51 | 25,000.00 |
| 4100 | 324,151.69 | 334,000.00 |
| 4123 | 139,408.15 | 172,500.00 |
| 4340 | 940,383.94 | 1,100,000.00 |
| 4501 | 104,978.48 | 158,000.00 |
| 6222 | 3,896,145.04 | 4,000,000.00 |
| 7704 | 73,632.02 | 86,000.00 |
| 7708 | 181,164.01 | 265,000.00 |
| 7803 | 157,968.67 | 190,000.00 |
| 9415 | 15,675.46 | 110,000.00 |
| 9423 | 957,797.89 | 1,900,000.00 |
| 9503 | 92,466.48 | 175,000.00 |
| 9509 | 807,912.83 | 850,000.00 |
| 39521 | 79,440.58 | 142,230.00 |
| Total | 11,305,304.21 | 13,892,730.00 |

**THE ROBERT LILJA MEMBERS' RELIEF FUND EXPENDITURES
APRIL 1, 2010 - MARCH 31, 2011**

STRIKE RELATED:

| | |
|----------------------------|-------------|
| LOCAL 33225- UPAGRA | \$2,700,100 |
| LOCAL 81313- GLENN PAINTER | \$ 27,500 |

DEFENSE FUND

The balance of the Defense Fund as of March 31, 2011 is **\$13,831,000**.

**DEFENSE FUND EXPENDITURES
April 1, 2010-March 31, 2011**

**Allocations and expenditures which were approved by
the Executive Board and the Committee:**

| Defense Fund Project/ Local | Allocation | Amount Spent | Balance as of 03/31/11 |
|--|------------------------|------------------------|------------------------|
| CWA Local 39117 Honolulu Advertiser/Star Bulletin | \$ 84,000.00 | \$ 4,246.71 | \$ 79,753.29 |
| TNG Local 31003 | \$ 297,000.00 | \$ 138,564.62 | \$ 158,435.38 |
| NWA Locals 21091, 21092, 23093, 24094, 27095, 27096, 29098 & 29099 | \$ 365,000.00 | \$ 357,296.40 | \$ 7,703.60 |
| American Red Cross Local 1122 | \$ 28,000.00 | \$ 5,000.00 | \$ 23,000.00 |
| IUE Locals 81359, 81380, and 84707 | \$ 92,000.00 | \$ 918.73 | \$ 91,081.27 |
| PPMWS Locals 14827, 14822, and 38061 | \$ 260,000.00 | \$ - | \$ 260,000.00 |
| New Jersey Network Local 1032 Trenton | \$ 185,000.00 | \$ 59,650.55 | \$ 125,349.45 |
| AFA-CWA United Airlines* | \$ 1,635,900.00 | \$ 526,659.15 | \$ 1,109,240.85 |
| TNG-CWA UPAGRA Local 33225 | \$ 67,350.00 | \$ 39,900.00 | \$ 27,450.00 |
| Wally Park Local 7717 | \$ 17,500.00 | \$ - | \$ 17,500.00 |
| KPFA Radio Local 9415 Oakland, CA | \$ 60,000.00 | \$ - | \$ 60,000.00 |
| Associated Press TNG_CWA Local 31222 | \$ 46,732.25 | \$ - | \$ 46,732.25 |
| WGBH Education Foundation Local 1300 | \$ 50,340.00 | \$ 23,789.00 | \$ 26,551.00 |
| Kaleida Local 1168 | \$ 615,525.00 | \$ 93,647.50 | \$ 521,877.50 |
| GE IUE-CWA | \$ 385,000.00 | \$ 762.50 | \$ 384,237.50 |
| NABET Local 54042 | \$ 50,000.00 | \$ - | \$ 50,000.00 |
| CWA Mailers Local 14827 | \$ 200,000.00 | \$ - | \$ 200,000.00 |
| TOTALS | \$ 4,439,347.25 | \$ 1,250,435.16 | \$ 3,188,912.09 |

*The DFOC congratulates the officers and members of the AFA-CWA for their successful campaign which preserves the bargaining rights for over 14,000 members of CWA and added an additional 9,000 members from Continental Airlines.

STRATEGIC INDUSTRY FUNDS (SIF)

The balance of the Strategic Industry Fund as of March 31, 2011, is \$47,375,510.

The Strategic Industry Fund campaigns adopted by the delegates at the 2006 Convention continue to increase our leverage at the bargaining table and further our major policy initiatives.

The campaigns operate with specific budgets and clear measurable benchmarks at six-month evaluations. We currently have 20 active SIF campaigns.

All SIF campaigns continue to stay well within their budgets.

SIF BUDGET AS OF 3/31/11

| CAMPAIGN | BUDGETED | EXPENSE | BALANCE |
|---------------------------------------|------------------|-----------------|-----------------|
| Verizon SIF (completed) | \$ 7,769,082.32 | \$ 7,127,132.47 | \$ 641,949.85 |
| Verizon/Frontier Reserve | \$ 1,439,082.32 | \$ 1,439,082.32 | \$ - |
| Speed Matters SIF | \$ 8,275,000.00 | \$ 4,299,108.64 | \$ 3,975,891.36 |
| Alcatel-Lucent (completed) | \$ 550,000.00 | \$ 167,428.59 | \$ 382,571.41 |
| Telecom Industry | \$ 10,071,000.00 | \$ 4,149,790.02 | \$ 5,921,209.98 |
| Telecom Organizing Institutes | \$ 1,075,000.00 | \$ 176,528.94 | \$ 898,471.06 |
| Internal Organizing of Non-Members | \$ 1,230,000.00 | \$ 136,113.05 | \$ 1,093,886.95 |
| Windstream | \$ 271,000.00 | \$ 40,496.25 | \$ 230,503.75 |
| Customer Service Industry | \$ 2,080,000.00 | \$ 43,090.30 | \$ 2,036,909.70 |
| Satellite Television Industry (Dish) | \$ 830,000.00 | \$ 867.49 | \$ 829,132.51 |
| Class Action Vs. Verizon | \$ 353,000.00 | \$ 23,149.85 | \$ 329,850.15 |
| Fighting For Our Future At Frontier | \$ 590,000.00 | \$ 1,664.94 | \$ 588,335.06 |
| D2 Telecommunications & Action Plan | \$ 540,000.00 | \$ 22,926.62 | \$ 517,073.38 |
| Verizon 2011 | \$ 2,532,500.00 | \$ 32,941.29 | \$ 2,499,558.71 |
| D9 Mobilizing for Workplace Change | \$ 47,750.00 | \$ - | \$ 47,750.00 |
| D6 One AT&T-One Bargaining Unit | \$ 386,195.00 | \$ - | \$ 386,195.00 |
| District 1, 2 & 13 Retirees | \$ 210,000.00 | \$ - | \$ 210,000.00 |
| Building Power and Support at Comcast | \$ 72,400.00 | \$ - | \$ 72,400.00 |
| MediaNews | \$ 997,802.00 | \$ 935,600.58 | \$ 62,201.42 |
| News Industry Jobs | \$ 459,591.00 | \$ 380,251.92 | \$ 79,339.08 |
| Canadian SIF | \$ 573,000.00 | \$ 242,449.75 | \$ 330,550.25 |
| PPMWS SIF | \$ 132,250.00 | \$ 45,928.76 | \$ 86,321.24 |
| The Role Of The Union In Media | \$ 306,000.00 | \$ 81,685.92 | \$ 224,314.08 |
| Growing News Media Membership | \$ 554,000.00 | \$ - | \$ 554,000.00 |
| Healthcare Workers (completed) | \$ 101,181.88 | \$ 67,196.80 | \$ 33,985.08 |
| Iowa Staff Nurses | \$ 125,000.00 | \$ 28,769.88 | \$ 96,230.12 |
| One Ohio Now | \$ 125,000.00 | \$ 51,422.23 | \$ 73,577.77 |
| Ohio Referendum | \$ 1,570,000.00 | \$ - | \$ 1,570,000.00 |
| GE Lighting | \$ 360,500.00 | \$ 195,826.83 | \$ 164,673.17 |

| CAMPAIGN | BUDGETED | EXPENSE | BALANCE |
|---|-------------------------|-------------------------|-------------------------|
| Lean/High Performance | \$ 1,413,000.00 | \$ 657,072.23 | \$ 755,927.77 |
| Green Jobs | \$ 1,182,500.00 | \$ 386,384.46 | \$ 796,115.54 |
| Automotive Bankruptcy | \$ 1,100,000.00 | \$ 938,158.36 | \$ 161,841.64 |
| Service Contract Act | \$ 450,000.00 | \$ 37,996.29 | \$ 412,003.71 |
| Health Care For All | \$ 15,528,250.00 | \$ 11,458,672.12 | \$ 4,069,577.88 |
| Building a Political Movement | \$ 5,695,000.00 | \$ 3,336,029.66 | \$ 2,358,970.34 |
| One Nation/Senate Rules | \$ 3,650,000.00 | \$ 2,392,294.20 | \$ 1,257,705.80 |
| Building A Political Movement Phase 2 | \$ 9,899,300.00 | \$ - | \$ 9,899,300.00 |
| Employee Free Choice Act (EFCA) (completed) | \$ 8,400,000.00 | \$ 5,802,148.54 | \$ 2,597,851.46 |
| Financially Distressed Employers | \$ 1,493,750.00 | \$ 657,978.92 | \$ 835,771.08 |
| US Airways/Piedmont Airlines Customer Service | \$ 300,000.00 | \$ 6,436.29 | \$ 293,563.71 |
| TOTALS | \$ 91,299,052.20 | \$ 43,923,542.19 | \$ 47,375,510.01 |

| | |
|-------------------------|------------------|
| SIF INCOME 6/09-03/11 | \$ 63,977,319.52 |
| SIF EXPENSE 06/09-03/11 | \$ 10,102,606.44 |
| SIF BALANCE 06/09-03/11 | \$ 53,874,713.08 |
| BALANCE SIF BUDGETED | \$ 47,375,510.01 |
| TOTAL SIF UNBUDGETED | \$ 6,499,173.07 |

SIF CAMPAIGNS

There are 20 active Strategic Industry Fund Campaigns, including a Telecom SIF which has 22 sub-campaigns.

- 1-Telecom (includes 22 sub-campaigns)
- 2-GE Lighting
- 3-Lean Manufacturing
- 4-PPMWS-Union Label
- 5-Distressed Employers
- 6-Green Jobs
- 7-Distressed Manufacturing
- 8-Building a Political Movement
- 9-The Role of the Union in Media
- 10-Health Care Phase III
- 11-One Nation/Senate Rules
- 12-IUE-CWA Service Contract Act
- 13-IOWA Staff Nurses
- 14-US Airways/Piedmont Airline Customer Service
- 15-One OHIO Now
- 16-Grow Media Sector Membership
- 17-News Industry Training
- 18-District One Health Care Workers Council
- 19-Building a Political Movement II
- 20-Ohio Referendum Campaign Senate Bill 5

The 22 Telecom sub-campaigns are as follows:

- 1-Speed Matters
- 2-Windstream
- 3-Organizing Training (external)
- 4-Internal Organizing: District 2
- 5-Internal Organizing: District 3
- 6-Internal Organizing: District 6
- ?-Internal Organizing: District 7
- 8-Internal Organizing: District 9
- 9-T-Mobile and AT&T-Mobile Merger
- 10-Heat Stress
- 11-Century Link/Qwest
- 12-District 4 Campaign to Retain and Grow Union Jobs at AT&T
- 13-Building Union Power in the Customer Service Industry
- 14-FMLA- Class Action Against Verizon Communications
- 15-DISH Network
- 16-District 9 Mobilization for Workplace Change
- 17-Verizon 2011
- 18-District 6 Mobility
- 19-D13 Building Power and Support at COMCAST
- 20-Districts 1, 2 and 13 - Verizon Retirees
- 21-District 2 Telecom Program and Action Plan
- 22-Frontier Fighting for our Future

SIFs Closed

Since the 2010 Convention, sixteen (16) Strategic Industry Fund campaigns (including sub campaigns) have been closed -they are:

- 1-Future of News Industry Jobs-Phase V (Closed 12-2010)
- 2-Media News-Phase IV (Closed 8-2010)
- 3-Healthcare for All-Phase II (Closed 7-2010)
- 4-Frontier (Closed 8-2010)
- 5-Maryland Speed Matters (Closed 12-2010)
- 6-District 1 Mobilization Against VERIZON Layoffs (Closed 2-2010)
- 7-District 9- Mobilization at Verizon (Closed 8-2010)
- 8-District 9 - Comcast Oakland-(Closed 12-2010)
- 9-District 9- Saving California Telecom Jobs (Closed 12-2010)
- 10-District 4 Internal Organizing of Non-Members- (Closed 12-2010)
- 11-Calling Connecticut (Closed 12-2010)
- 12-Cable Franchise (Closed 12-2010)
- 13-Century Tei/Embarq {Closed 12-2010}
- 14-New York LPAT Expansion (Closed 4-2011)
- 15-CWNSCA Canada (Closed 6-2011)
- 16-ATIField Services IOTs (Closed 6-2011)

SIF Campaign Successes

***Internal Organizing - District 6:** 84 organizers from 29 locals have been trained and attended Organizing Institutes. A total of 6,207 new members have been signed up since the beginning of the campaign in 2010.

***Stand Up for Ohio:** In Ohio, with the help of the SIF, CWA launched a coalition that connects the attacks on public workers with the budget, environmental, voting rights, housing and education issues. The coalition organized 15 actions on March 15th involving 10,000 people, held a major rally at the state house on May 5th with over 12,000, trained 100 citizen activists to be "movement builders" who organized 10 actions across the state and built a Facebook page with over 125,000 fans (<http://standupforohio.org/home/>). A petition to overturn an anti-collective bargaining bill, SB 5, needed 231,000 signatures to force a referendum on the November ballot. "Stand up for Ohio" SIF campaign was key in garnering 1,298,000 signatures and insuring placement on the ballot. On July 16-17 Stand Up for Ohio will host over 100 house parties and, on August 20, a huge Ohio Festival featuring Grand Funk Railroad and many other acts.

***CWAJSCA Canada:** A major component of this SIF was to ensure that Canadians in smaller communities continue to have access to free over-the-air television when Canada moves to HD television in August 2011. The campaign created so great a public outcry that the CBC has stated that it will retain most of its towers to provide free over-the-air TV. The CBC now says there will not be any forced reductions before 2013. This is good news for our 150 union members at CBC which maintain and service the radio and television transmitter towers. In addition, a project to attract freelance writers has resulted in 100 freelancers now belonging to the Canadian Media Guild.

***Green Jobs:** IUE-CWA Locals 83761 (GE appliances) and Local 84722 (GE Lighting) attended the first Blue-Green Alliance Appliance Task Force meeting. Discussions centered on new lighting regulations and upcoming appliance standards. As a result of the meeting and IUE-CWA input, the Natural Resource Defense Council (NRDC) agreed to work on a report showing the loss of jobs and how companies use standards to export jobs, not invest in new technologies. The NRDC is a leading lobby group for improved efficiency standards.

***News Industry Training:** Over the past year, this SIF has focused on retraining our members. Over 300 have been trained in 16 cities. Tangible outcomes include saving jobs in Detroit, opening doors in New York City, and building on well-established labor-management relationships in Philadelphia and Buffalo.

***T-Mobile:** This SIF is making progress in creating conditions for workers to organize. We were successful in getting the International Trade Union Confederation to select Deutsche Telekom as their first transnational company to convince to extend organizing rights to all workers in all countries. This action brings worldwide attention to the campaign. Outreach to investors and political figures in the U.S. and Europe has embarrassed Deutsche Telekom. As a result of the campaign, Deutsche Telekom has pushed its subsidiary T-Mobile US to engage with CWA and three technician units have filed for representation elections. We expect the first election to be held in July.

***Speed Matters:** Released 2010 "Internet Speeds in All 50 States" report at press conference with FCC Chairman Julius Genachowski and national leaders from Sierra Club, NAACP and Alliance for Digital Equality. FCC adopted CWA's net neutrality position (December 2010). Stopped telecom deregulation in New Jersey. Launched Bring Verizon FiOS to Buffalo NY Campaign. FCC and Department of Justice adopted CWA-recommended conditions on NBCU-Comcast merger to expand local news programming and protect video competition by Verizon FiOS and AT&T U-Verse.

In addition, the committee recommends the following:

1 - In order to adhere to the biennial convention cycle, the terms of office for the committee must be changed to four years. We recommend that starting at this convention, the three members from Districts 2, 13 and Public Workers and one representative from the Airline Industries and one representative from the Media Sectors (TNG-CWA, NABET-CWA and PPMWS) shall be elected for four-year terms. The remaining committee members will have their terms of office extended and elections in those districts shall be for four-year terms starting in 2013.

2 - The proper administration of Strategic Industry Fund grants is required to facilitate this important proactive work. However, during this time of escalating attacks on our members and the strained budget of our union, our shrinking staff is pulled in too many directions to take on this additional responsibility without additional support. The staff time commitment and additional expenses SIF projects generate are acknowledged by this committee and should be charged to the SIF grant. Therefore, we recommend that documented administrative expenses not to exceed 2% of the grant may be charged to the SIF by the union subject to review by the DFOC.

3 -When the delegates established the Strategic Industry Fund conditions warranted that the union place high walls around the use of the SIF. Our world is changing as we speak; our union has sustained substantial losses in membership and our right to collective bargaining is under attack making traditional strategies less effective.

We must adapt to the new challenges we face if we are to meet them. That means resources at our disposal must be utilized if we are to prevail in our fight for the survival of our members and our union. Therefore, this committee supports the SIF Distribution Proposal.

The Committee requests that the delegates approve the report and recommendations.

Respectfully Submitted,

The Defense Fund Oversight Committee

Terry Daly, District 1
John Wills, District 2
Mark Ledford, District 3
Edwin Phillips, District 4
James Allen, District 6

Cecilia Valdez, District 7
Joan Gifford, District 9 – Vice Chair
Sandy Kmetyk, District 13
Arthur Cheliotas, Public Workers- Chair
John Lewis, IUE-CWA