

**BEFORE THE BOARD OF ARBITRATION
OPINION OF THE CHAIRMAN**

In the Matter of the Dispute Between

UNITED STATES POSTAL SERVICE

and

NATIONAL ASSOCIATION OF
LETTER CARRIERS, AFL-CIO

1999 INTEREST ARBITRATION

MEMBERS OF THE BOARD

George R. Fleischli, Neutral Chairman
Bruce H. Simon, NALC Appointee
R. Theodore Clark, Jr., USPS Appointee

APPEARANCES

National Association of Letter Carriers

Keith E. Secular of Cohen, Weiss & Simon
Peter D. DeChiara of Cohen, Weiss & Simon
Joseph Vitale of Cohen, Weiss & Simon
Vincent R. Sombrotto, President
William A. Young, Executive Vice-President

United States Postal Service

Edward F. Ward, Jr., Manager of Collective Bargaining and Arbitration
Kevin B. Rachel, Deputy Managing Counsel
David A. Stanton, Chief Counsel for Labor Relations
Howard J. Kaufman, USPS Senior Counsel
Marta E. Erceg, USPS Staff Attorney
Larissa Taran, USPS Staff Attorney
Jack Potter, Senior Vice-President for Operations
Anthony Vegliante, Vice-President for Labor Relations

STIPULATED ISSUE

What should be the terms of the new collective bargaining agreement with respect to the proposals of the parties now in dispute?

BACKGROUND FACTS

The United States Postal Service (USPS) and the National Association of Letter Carriers, AFL-CIO (NALC) were parties to a collective bargaining agreement covering approximately 245,000 city letter carriers (LCs) which expired on November 20, 1998. Negotiations over the terms to be included in a successor agreement began in late August 1998. Four main committees were formed to address issues arising under Article 8 (overtime administration), Articles 15 and 16 (grievance-arbitration and disciplinary procedures), Articles 7, 12 and 13 (work force structure, reassignments, and ill and injured employees), and Article 41 (craft-specific work rules). Some progress was made by the committees in meetings held during September and October 1998, but no tentative agreements were reached.

During main-table bargaining sessions that were held between November 9, 1998 and November 20, 1998, the parties exchanged proposals dealing with the results of the committee meetings, including work rules and some economic issues other than wages. While some progress was made in the parties' efforts to resolve certain issues, no tentative agreements were signed.

Negotiations over wages and other economic issues were conducted in off-the-record discussions, away from the main bargaining table. By the time the agreement expired at midnight on November 20, 1998, no agreements had been reached on those critical issues. The NALC's formal proposal called for a 4-year agreement, with an upgrade (by one grade) for all LCs, 3-percent across-the-board (ATB) salary adjustments for each of the four years, a continuation of the cost of living (COLA) provision with no changes, a 15-percent increase in the uniform allowance, an increase in the employer's contribution toward the cost of health insurance, the conversion of all employees to full-time and the maintenance of the full-time work force, and withdrawal of all

proposals to modify Articles 15 and 16 dealing with grievance-arbitration and disciplinary procedures. The USPS's formal proposal, issued in response, called for a 2-year agreement with lump-sum payments of \$950 in each of the two years, elimination of the COLA provision, and an increase in the employee's contribution toward the cost of health insurance. The USPS did not propose to make any change in the salary grade for letter carriers, but did propose that the parties agree to study the salary schedule and reform its provisions to avoid promotion pay anomalies and to consider its "stepless" salary schedule. Similarly, the USPS did not propose any increase in the uniform allowance. It did propose a lower, new-hire rate.

Negotiations with the APWU and Mail Handlers

In the meantime, negotiations with the American Postal Workers Union; AFL-CIO (APWU), which represents approximately 365,000 clerks, maintenance workers and motor vehicle employees, and the National Postal Mail Handlers Union, a division of the Laborer's International Union of North America, AFL-CIO (Mail Handlers), which represents approximately 63,000 mail handlers, proceeded along similar lines with negotiations taking place within committees, at the main table and in off-the-record discussions. Those negotiations also failed to produce a binding agreement prior to midnight on November 20, 1998, the expiration date for those two agreements.¹

Agreements were reached to continue the negotiations with the APWU and the Mail Handlers, and those negotiations eventually produced tentative agreements on December 2 and

¹ The agreement with the third largest of the four largest unions representing USPS employees, the National Rural Letter Carriers' Association (NRLCA), which represents approximately 110,000 rural letter carriers, does not expire until November 20, 1999. It contained a reopener provision. On March 3, 1999, the NRLCA and the USPS signed a Memorandum of Understanding in which the parties agreed to adopt the salary provisions of the APWU Agreement for the last year of the USPS/NRLCA Agreement.

December 3, 1998, respectively. The two agreements were approved by the leadership and ratified by the membership of those two organizations on January 11 and January 15, 1999, respectively.²

Further Negotiations and Impasse Agreement

While off-the-record discussions of wages and other economic issues with the NALC continued after November 20, 1998, they did not produce a tentative agreement on any of those issues. In January 1999, the parties (or their spokespersons) met on approximately nine occasions in an effort to resolve the impasse. On February 4, 1999, they signed a memorandum of agreement (impasse agreement) setting forth the alternative procedures they would follow to resolve the dispute.³ It called for voluntary mediation by a mediator to be selected by the parties, to be followed by this interest arbitration proceeding if agreement could not be reached through mediation.

The parties selected Wayne Horvitz, former director of the Federal Mediation and Conciliation Service (FMCS), to serve as their mediator. The NALC was represented by Messrs. Sombrotto, Simon and Young, and the USPS was represented by Messrs. Potter, Vegliante, Ward, Clark and Rachel. Thereafter, the parties or their representatives met with mediator Horvitz on approximately ten occasions beginning on March 4, 1999 and concluding on March 29, 1999. No agreements were reached in mediation, and, pursuant to the terms of the impasse agreement, the

² The new agreements are for two years' duration, calling for 2-percent and 1.4-percent ATB increases in the first and second years, continuation of the COLA provision with no changes, and an increase in the employer's contribution toward the cost of health insurance. In the agreement with the APWU, there were also significant changes in the grievance-arbitration procedure, additional layoff protections, an 18-month halt to new out-sourcing and other work rule changes.

³ 39 USC §1206(c) provides that the USPS and unions representing its employees may, by mutual agreement, adopt procedures for the resolution of disputes or impasses arising in negotiations of a collective bargaining agreement.

parties proceeded to select the members of the interest arbitration panel (Board of Arbitration) as provided for in the impasse agreement. The USPS named R. Theodore Clark, Jr., to serve as its appointed member, and the NALC named Bruce H. Simon to serve as its appointed member. The parties selected George R. Fleischli to serve as neutral chairman, and he was appointed to serve in that capacity by C. Richard Barnes, director of the FMCS.

Hearings Before the Board of Arbitration

On June 8, 1999, the Board of Arbitration (Board) met with lead counsel for the parties in Washington, D.C. to discuss organizational and scheduling matters. It was agreed that the first day of hearing would be held on June 16, 1999 and that hearings would continue thereafter on various dates in June, July and August, 1999. The parties agreed to, and the Board approved, a waiver of the requirement set forth in the impasse agreement that the award in this case be issued within 45 days of the first day of hearing.⁴

The parties filed pre-hearing briefs with the Board, which were exchanged directly by the parties. Opening statements were presented on June 16, 1999. The NALC presented its case in chief on economic issues on June 17 and 18; July 6, 7, 8 and 9; and August 2 and 3, 1999. The USPS presented its case in chief and rebuttal evidence on economic issues on August 3, 4, 5, 6, 9, 10, 11 and 12, 1999. The NALC presented its rebuttal evidence on August 13, 16 and 17, 1999, and September 7, 1999; the USPS presented its surrebuttal evidence on September 8 and 9, 1999; and the NALC presented its surrebuttal evidence on September 10, 1999. Written summations were prepared and provided to the Board on September 14, 1999.

⁴ The parties were unable to complete their presentations in August. Consequently, the hearings were continued into September.

NALC CONTRACT PROPOSALS

At the hearing, the NALC presented evidence and arguments in support of its formal contract proposals as they stood at 11:53 p.m. on November 20, 1998:⁵

- "1. 4-year contract (November 21, 1998 - November 20, 2002)
- "2. All letter carrier craft employees to be upgraded to Grade 6, effective immediately. Maintain existing carrier technician differential.
- "3. Annual increases in the basic annual salary schedule for all employees as follows:

November 21, 1998 -- 3% of basic salary
November 21, 1999 -- 3% of basic salary
November 21, 2000 -- 3% of basic salary
November 21, 2001 -- 3% of basic salary
- "4. Maintain existing Cost of Living formula.
- "5. Increase Uniform Allowance by 15%.
- "6. Convert all employees to full-time regulars and maintain full-time regular work force.
- "7. Health Benefit Plans. Revise Article 21 to implement and maintain the Valtin Award USPS:Employee cost ratio of 85:15. [Withdrawn]
- "8. Drive-out Reimbursement Rates. Increase by an amount reflecting inflation since current rates became effective.
- "9. All NALC proposals previously submitted remain on the table,⁶ except proposals to change Articles 15 and 16 which we hereby withdraw. NALC proposal headed 'Article 10-4' submitted November 17, 1998 is also

⁵ On August 11, 1999 the parties reached agreement on changes in Article 21, dealing with health benefits.

⁶ NALC proposals dealing with Articles 7, 8, 10, 11, 12, 13, 14, 17, 30 and 41 as presented at 11:00 a.m. on November 12 and at 1:00 p.m. on November 15 (in the case of Article 8) are omitted for the sake of brevity.

withdrawn in favor of the NALC proposal headed 'Article 10-1' submitted November 12, 1998."

NALC PRESENTATION

The parties agreed that presentations could be made by attorneys, advocates or witnesses. None of the presenters was sworn. The presentations made on behalf of the NALC can generally be described as follows:⁷

Case in Chief

JAMES W. SAUBER, NALC Research Director, gave a lengthy, in-depth presentation of background facts, statistics and history of the USPS, and the letter carrier craft in particular, with special focus on matters relating to revenue, wages, terms of employment and collective bargaining.

DR. JEROME STALLER, Professor of Economics at Temple University, made a presentation of economic data intended to show that the economic conditions currently prevailing in the country are much more favorable than those which existed at the time of the 1991 interest arbitration proceeding before the Board of Arbitration chaired by Richard Mittenthal, and referred to in his opinion.

KEITH E. SECULAR of Cohen, Weiss & Simon, presented a number of documents dealing with legislative history and bargaining history, intended to show

⁷The description of presentations made on behalf of both parties is intended to make a record of the general purpose and content of the presentations. No comment on the accuracy or effectiveness is intended, regardless of the use or nonuse of qualifying phrases such as "intended to show" or "(s)he concluded."

that comparisons to the compensation of employees in the private sector of the economy should include comparisons between LCs and package car drivers employed by UPS and couriers employed by Federal Express.

DR. STANLEY C. WISNIEWSKI, DR. LAUREL E. WISNIEWSKI and NORMAN A. WEINTRAUB of Work Place Economics, Inc., presented information concerning the work performed and compensation received by package car drivers employed by UPS and couriers employed by Federal Express, intended to show that the work performed by those employees is comparable to the work performed by LCs, but that the compensation (including bonuses) received by the UPS and Federal Express employees with the same or fewer years of service in those classifications is substantially greater.

WILLIAM YOUNG, Executive Vice-President of the NALC, assisted by LINDA GIORDANO, NALC Contract Administration, presented extensive testimony and documentary evidence (including a videotape), intended to provide an overview of the work performed by LCs prior to automation, the impact of automation on LC work, the recent history of collective bargaining on that impact, and the changes in the work currently performed by LCs as a result of the implementation of delivery point sequencing (DPS).

MARTY DeGASPARIS, a LC and DPS coordinator from St. Clair Shores, Michigan; EDITH SCHERR, a LC (and former supervisor) from Bismarck, North Dakota; and LINDA GIORDANO, formerly a LC in Canoga Park, California now in Contract Administration, made separate presentations describing and

demonstrating the work of letter carriers before and after the implementation of DPS. The demonstration included the casing of mail and the delivery of mail on walking routes, park-and-loop routes, mounted routes and combination routes. Included in the demonstrations were several examples of methods employed by LCs to deliver DPS mail, along with their cased mail and flats, consistent with the two approved work methods agreed to by the NALC and USPS in 1992.

BROOKS BENNETT, TAMARA PAUL, CALVIN BROOKINS and ANDREW WEINER, LCs and DPS coordinators from Seattle, Washington; Royal Oak, Michigan; Van Nuys, California; and Jamaica, New York, respectively, made presentations concerning the problems that have been encountered and the impact on the work performed by LCs that have resulted from the implementation of DPS mail. Their presentation was accompanied by a demonstration coordinated by LINDA GIORDANO, using human subjects in the place of bins, demonstrating how the automated mail sorting machinery utilized by the USPS sorts DPS mail and the ways in which DPS mail can be mis-routed, mis-sorted or mis-sequenced.

LOU DRASS, JOHN MOONEY, CHRISTI FITE, DON ALLEN, MARGE McCANN and TOM DLUGOLENSKI, LCs from Huntsville, Alabama; New York City, New York; Fort Worth, Texas; Marysville, Washington; Philadelphia, Pennsylvania; and Syracuse, New York, respectively, described their history of employment as letter carriers in small towns, suburbs and large cities and the impact of the introduction of DPS mail on their work, including record-keeping duties that must now be performed on the route, and the use of scanners for confirming the

delivery of Express Mail and providing the newly introduced confirmation service offered by the USPS. Their presentations covered the various types of routes that exist in small and large urban settings, including walking routes, park-and-loop routes, mounted routes and combination routes.

STEVEN HULT, a NALC Contract Administrator who handles data storage and retrieval software for the NALC, presented data concerning attrition of LCs during their 90-day probationary period and first year of employment from January 1991 to September 11, 1998, intending to show that the attrition rate has increased as a result of the changes in the LC job brought about by the introduction of DPS mail.

DR. JAMES D. PORTWOOD, Professor of Human Resource Administration and International Business at Temple University, discussed the theory underlying the various methods used by organizations to establish compensation programs and identified and elaborated upon the content of the four factors (skill, effort, responsibility and working conditions) that are common to such programs.

DR. LAUREL E. WISNIEWSKI of Work Place Economics, Inc. described the study she conducted of the changes that have occurred in the work performed by LCs as a result of the introduction of DPS mail and the use of scanners, all in relation to the four factors identified by DR. PORTWOOD, which resulted in her conclusion that those changes were sufficient to justify an increase in compensation.

JOSEPH HENRY, a LC and President of Branch 142 in the Washington, D.C. area; LARRY BROWN, a LC and President of Branch 24 in the

Los Angeles, California area; and JOSEPH DeROSSI, a LC and Executive Vice-President of Branch 41 in Brooklyn, New York made presentations concerning the exposure to crimes faced by letter carriers, giving numerous examples of instances where letter carriers were either the victims of crime or witnesses to crimes resulting in physical and psychological trauma and, in some instances, death. Their presentations emphasized the concern that the later hours required for DPS mail delivery have increased the exposure of LCs to these risks and included reference to *some of the steps now being taken by the parties to deal with the problems associated with the delivery of mail in high crime areas.*

PETER D. DeCHIARA of Cohen, Weiss & Simon made a presentation describing the "heroes of the year" award program sponsored by the NALC to honor LCs who have put themselves at risk in order to save the lives of others. He then proceeded to tell the story that led to the receipt of that award by three recipients who were present at the hearing: IVAN WOOD, a letter carrier from East Syracuse, New York, who received the 1998 hero-of-the-year award; ERIC SCHWARTZ, a letter carrier from El Cerrito, California, who received the 1998 western region hero-of-the-year award; and KEVIN DECKER, a letter carrier from Amarillo, Texas, who was the 1997 hero of the year. The purpose of the presentation, other than to *honor the three men who were most deserving, was to demonstrate the good will that is generated by such deeds performed by letter carriers throughout the United States as a result of the ubiquitous nature of their work and their knowledge of the occupants of the residences to which they deliver mail.* LeROY OTTINGER, Deputy

Fire Chief for Montgomery County and one of the three judges who select the hero of the year, supplemented this presentation with a number of examples of other heroic and humanitarian acts performed by letter carriers.

DR. J. PAUL LEIGH, Professor of Epidemiology and Preventative Medicine at the University of California at Davis, presented statistical data concerning workers compensation injuries suffered by employees working in various occupations, including the letter carrier occupation, statistical trends over time and the greater risk of injury associated with outdoor work. The presentation was intended to show that the risk of injury to letter carriers is the highest among the top 25 federal government occupations; more than twice that of rural letter carriers and other USPS employees as a whole; higher than the rate for other major industry divisions including manufacturing, construction and mining; and increasing over time, especially since 1993 when DPS mail was introduced.

DR. JAMES L. MEDOFF, Meyer Kestnbaum Professor of Labor and Industry at Harvard University, made a presentation based upon the theory of compensating differentials and the role of labor unions, intended to show that, all else being equal, if a job becomes less desirable the compensation for that job should increase, even though the turn-over rate may not increase due to the presence of a union.

DR. TOM KOCHAN, George M. Bunker Professor of Management at MIT, made a presentation dealing with the key principles developed in collective bargaining and interest arbitration, the lessons that have been learned about

integrating technology and employment practices during the 1980's and 1990's, and the impact those lessons ought to have on the application of criteria by interest arbitrators in cases where changes in technology have been shown to have had an impact on the work performed. He made it clear during his presentation that he had not attempted to study the history of collective bargaining and interest arbitration in the Postal Service or the evidence of changes in technology and the alleged impact of automation on the letter carrier occupation. He took no position in the proceeding other than to urge the Board to take seriously its obligation to assess the alleged impact of automation on the work performed by letter carriers in carrying out its wage-setting responsibilities.

KEITH E. SECULAR of Cohen, Weiss & Simon presented data showing increases in the cost of uniform items, along with a review of past increases in the uniform allowance. He also presented data concerning increases in the cost of operating and maintaining a vehicle, as measured by components of the CPI-W and noted that the 1994 agreement did not increase the amounts payable under the drive-out agreements.

JAMES W. SAUBER, NALC Research Director, presented revised data concerning the comparison of increases in LC pay to the private sector (as previously presented by Dr. Jerome Staller) intended to more accurately reflect the impact of COLA payments received by LCs and incorporating the latest ECI figures. He also presented some detailed data intended to show the increase in the number of parcels now being delivered by LCs and the increase in street time since DPS was

introduced. He was recalled later, as the NALC's last witness on direct, to provide more detailed information concerning the USPS definition of parcels and a revised calculation showing the number of parcels now being delivered by LCs.

VINCENT R. SOMBROTTO, NALC President, gave a lengthy presentation dealing with the history of the USPS and its collective bargaining relationship with the NALC since the passage of the PRA, explaining why the NALC decided at its 1994 convention to bargain separately and describing the changes in the work performed by LCs and the strong feelings held by the NALC's membership concerning the need for wage increases and adjustments that give recognition to those changes. As part of his presentation, President Sombrotto attempted to anticipate and refute the various arguments the USPS would advance in opposition to the wage increases and adjustments sought by the NALC.

Rebuttal

DR. JAMES L. MEDOFF, Meyer Kestnbaum Professor of Labor and Industry at Harvard University, and DR. ANDREW D. HARLESS, econometric software developer for Intex Solutions, Inc., made a presentation offering rebuttal evidence intended to show that the wages paid by private sector firms increase with firm size and that firm size could account for all of the alleged "wage premium" paid to LCs according to USPS experts.

DR. PAULA B. VOOS, chair of the Labor Studies and Employment Relations department at Rutgers University, and DR. DALE BELMAN, Associate Professor of Economics at the University of Wisconsin-Milwaukee, made a joint

presentation dealing with the interpretation of the comparability standard from the point of view of an economist and the question of whether LCs enjoy a wage premium. Based upon that definition and their own multivariate regression analysis, which differs from that used by the USPS experts, they concluded that no wage premium exists and that, in either case, there has been a decline in any such premium.

JOHN FITZGERALD, Public Affairs Manager for UPS, made a presentation disputing the accuracy of certain statements made by a former UPS official who testified on behalf of the USPS, stating that a strong competitive relationship does exist between UPS and the USPS, the work performed by LCs is comparable to the work performed by UPS package car drivers and the methods of supervision used by UPS are not as described by the former UPS official.

GARY MULLINS, NALC Director of City Delivery, WILLIAM H. YOUNG, NALC Executive Vice-President, and LINDA GIORDANO, NALC Contract Administration, presented evidence intended to rebut the presentation made by the USPS witnesses from its Operations Support group.

RITCH BOWMAN, GARY BARNES, MICHAEL O'NEILL, and ERNIE SAICE, "veteran" LCs from Idaho Falls, Idaho; Baltimore, Maryland; Virginia Beach, Virginia; and Minneapolis, Minnesota, respectively, made a presentation responding to USPS evidence indicating that the increase in street time associated with the introduction of DPS mail has resulted in an amount of street time that is like that which existed in the 1970's.

KEITH E. SECULAR of Cohen, Weiss & Simon made a presentation dealing with the legislative history of the PRA and the relationship between wage rates for clerks and LCs, in response to the presentation made by the USPS Chief Counsel for Labor Relations on those same subjects.

DR. LAUREL E. WISNIEWSKI of Work Place Economics, Inc., made a presentation responding to the testimony of the USPS witness describing the procedure he followed in evaluating the LC job and critiquing her own evaluation of the impact of changes in the LC job.

BARBARA STREBER, a training technician from Madison, Wisconsin; TERRY STEPHENS, a distribution clerk from Virginia Beach, Virginia; and RAYMOND FERGUSON, a distribution clerk from Carrollton, Texas, all of whom had served as letter carriers and carried DPS mail, made separate presentations intended to rebut the testimony of the USPS witnesses concerning the comparison between the work performed by LCs and distribution clerks.

MARCUS WOODS, TERRENCE DOYLE, CHARLES REYNOLDS, TYRONE CURRY, STEVE SHINNAMON, and DUDLEY BRADBURN, letter carriers from Atlanta, Georgia; Philadelphia, Pennsylvania; Chesapeake, Virginia; Richmond, Virginia; Columbia, Maryland; and Catonsville, Maryland, all of whom have been observed by personnel from the USPS job evaluation group in preparation for testimony offered on behalf of the USPS, and LARRY JONES and MICHAEL MORRIS, LCs and Union stewards from Chicago, Illinois and Philadelphia, Pennsylvania, who had knowledge of the circumstances surrounding similar

observations made of the work performed by certain LCs at those locations, testified concerning the circumstances surrounding the observations which, in the view of the NALC, rendered them unrepresentative of the work currently being performed by LCs.

SPENCE BAKER, a LC and branch president from Syracuse, New York, testified concerning certain comments made by Postmaster General and CEO William J. Henderson during a recent visit to Syracuse.

KEITH E. SECULAR of Cohen, Weiss and Simon, presented a number of exhibits used on cross examination of USPS witnesses, for entry into the record; a video tape, a portion of which had been shown by NALC; and corrected exhibits used by the NALC economists in their presentation.

JAMES W. SAUBER, NALC Research Director, presented nine rebuttal exhibits, addressing certain aspects of the testimony of USPS witnesses Spates, Anderson and Porras, and four exhibits addressing the issue of adverse working conditions. He also presented a copy of a fax transmission he sent to an official in the Department of Labor, which resulted in a response to both parties, included among the first nine exhibits.

VINCENT R. SOMBROTTO, NALC President, made a presentation wherein he addressed a number of positions taken and arguments advanced by the USPS in its case in chief, and took issue with the accuracy and appropriateness of those positions and arguments.

KEITH E. SECULAR of Cohen, Weiss and Simon, presented exhibits prepared by the NALC Research Director, related to the award of Arbitrator Rolf Valtin dealing with health insurance and the difference between the projected costs and actual costs shifted to LCs as a result of the changes made in the wording of the agreement pursuant to that award.

Surrebuttal

DR. DALE BELMAN, Associate Professor of Economics at the University of Wisconsin-Milwaukee, and DR. JAMES L. MEDOFF, Meyer Kestenbaum Professor of Labor and Industry at Harvard University, presented testimony and exhibits disputing the accuracy of a number of points made by the USPS's economists, critiquing their work, and, in Dr. Medoff's case, offering new evidence modifying his own earlier conclusions regarding the relative importance of establishment size vis a vis firm size.

USPS ECONOMIC "CONCEPT" PROPOSAL

At the hearing, the USPS presented evidence and arguments in support of its formal economic proposals, presented in "concept" format as they stood at 11:55 p.m. on November 20, 1998:

"DURATION

*** The term of the new Agreement shall be 2 years
(November 21, 1998 - November 20, 2000)

"SALARIES AND WAGES"*** In January 1999, each non-probationary career employee covered by this Agreement will receive a one-time lump-sum cash payment of \$950.

*** In March 2000, each non-probationary career employee covered by this Agreement will receive a one-time lump-sum case payment of \$950.

*** There shall be no cost-of-living adjustments provided during the term of the new Agreement.

*** To correct the promotion pay anomaly in the salary schedule, the parties commit to study and agree upon a permanent solution to be implemented by June 19, 1999. The review of this issue will include consideration of the Postal Service's 'stepless' salary schedule.

*** A new hire rate for Grades 5 and 6 shall be established in February 1999 designated as Step AA and discounted by 10% from Step A of those Grades.

"HEALTH BENEFITS⁸

"Based on the present method of computation, the Postal Service will contribute at the following rates to the cost of the Health Benefits Program for career employees:

- "1) Plan year 2000 - 70% of the Big-6 formula (87.5% maximum for any plan)
- "2) Plan year 2001 - 69% of the Big 6 formula (86.25% maximum for any plan)

"UNIFORMS AND WORK CLOTHES

*** There shall be no increase in the Uniform and Work Clothes allowances during the term of the new Agreement."

USPS PRESENTATIONS⁹

The presentations made on behalf of the USPS can generally be

⁸See footnote 5 above.

⁹See footnote 7 above.

described as follows:

Case in Chief and Rebuttal

JOHN E. POTTER, USPS Senior Vice-President for Operations and USPS Chief Negotiator, described the background events leading up to the 1998 negotiations with the NALC, APWU and Mail Handlers, the approach taken by the USPS, the meetings that were held in an effort to reach a voluntary settlement, and their results, including the agreements reached with the APWU and Mail Handlers and the agreement reached with the NRLCA under the reopener provision contained in the agreement with that union. In his presentation, he described the various agreements reached in some detail and sought to refute the NALC's contention that job security was the top priority of the APWU in the 1998 negotiations.

EDWARD F. WARD, Jr., USPS Manager of Collective Bargaining and Arbitration, made a lengthy and detailed presentation tracing the history of collective bargaining between the USPS and the four major unions that represent its employees, focusing on the increasing resort to neutral, third-party procedures and the content of the various reports and awards that have been issued starting in 1978. In his presentation, he emphasized the historic relationship that has existed between the agreements reached with those unions and the USPS's view that adopting the NALC's economic proposals would destroy that relationship and severely disrupt future collective bargaining with all four unions.

DR. MICHAEL WACHTER, William B. Johnson Professor of Law and Economics and Director of the Institute for Law and Economics at the University of

Pennsylvania, presented a report setting forth the background theory and results of the latest study conducted by himself and Drs. James Gillula and Barry Hirsch, comparing the wages and benefits earned by postal workers (exclusive of professionals and managers) with the wages and benefits earned by a group of private sector employees deemed comparable, constructed from data contained in the Current Population Survey (CPS), utilizing multivariate regression analysis. This presentation also included several other data sets that were used to cross-check the results including new hire data, quit rates and applicant queues. His presentation was offered to support the USPS contention that postal workers, and LCs in particular, receive a compensation premium, that past efforts to reduce that compensation premium have been only partially successful, and that the panel should follow the policy of "moderate restraint" first referred to by Arbitrator Clark Kerr in his 1984 award. His presentation included a discussion of competitive pressures that have influenced compensation in the private sector, including the unionized portion, and the competitive pressures that the USPS is now facing and will face in the future.

ANTHONY COLATRELLA, DeWITT CRAWFORD and PHILLIP KNOLL from the USPS Operations Support group made separate presentations intended to describe the changes that have occurred in the work performed by LCs over the years, both before and after the implementation of DPS mail, in support of the USPS's position that many of those changes have reduced the work load of letter carriers and that, overall, the implementation of the DPS system has not significantly

impacted the work performed by letter carriers because of the jointly developed procedures followed and adjustments made in connection with its implementation.

MICHAEL S. SPATES, USPS Manager of Delivery, presented a "broad picture" analysis of the decision to automate the processing of mail through DPS, including the cost analysis, projected savings and actual results, with special emphasis on the net decrease in office time, net increase in street time for the various types of routes (both rural and city), and the net increase in the volume of mail and parcels handled per carrier.

JOHN R. MULARSKI, USPS Manager of Customer Requirements, gave a detailed explanation of the job evaluation procedures followed by the USPS which utilize a benchmark analysis of standard positions in relation to 14 key positions, based upon seven factors. He also described the procedure followed and results of a job evaluation of the city carrier position (a key position) he prepared at the request of Labor Relations, utilizing the distribution clerk and window clerk key positions for comparison purposes. He concluded that the LC position is correctly assigned to pay level 5. He also provided a critique of the procedures followed and results obtained by the Union's job evaluation expert.

WILLIAM W. RUCH, an industrial psychologist and President of Psychological Services, Inc., who, in 1981, conducted a validation study of the test used by the USPS to hire clerks and carriers and testified in 1995 concerning the results of a comparison of the clerk and city letter carrier positions, provided an updated comparison, based upon information developed in his prior studies and data

base information supplied by the USPS concerning their current work activities. Based upon that review and cross-checks conducted, he expressed the opinion that the two positions are still highly similar.

DR. LAURITS R. CHRISTENSEN, Chairman of Laurits R. Christensen Associates, Inc., provided rebuttal testimony on the issue of productivity and real wages utilizing applied micro-economic and econometric methodology. He noted that, since 1984, the USPS has utilized total factor productivity (TFP) rather than gross labor productivity (GLP) for that purpose, because it takes into account the contribution of capital and material purchased from others. His analysis of productivity and real wages in the private sector and USPS led him to conclude that there is no correlation between the two and that the ECI is a better guide for purposes of establishing wage increases.

NICHOLAS BARRANCA, USPS Vice-President for Operations Planning, presented time-series data concerning the efficiency of processing (including casing) of mail and the delivery and collection of mail. He concluded that there had been a slight decrease in letter carrier street productivity and a commensurate increase in letter carrier office productivity, but that there had not been a change in overall letter carrier productivity since 1987.

RICHARD PORRAS, USPS Chief Financial Officer and Senior Vice-President, provided financial data from an historical perspective, with emphasis on the importance of personnel costs; an analysis of USPS's effort to recover losses from prior years and restore equity; the current financial condition of the USPS; and

costing of the NALC economic proposals, the USPS economic proposals and an extension to NALC represented employees of the settlements achieved with the APWU and Mail Handlers.

JOHN F. SULLIVAN, Managing Director of Sullivan, Cotter, Inc., an employee compensation/human resources consulting firm, made a presentation concerning the results of research he did to determine the pay level and compensation scheme for Federal Express couriers and UPS package car drivers and to identify and study wages of private sector jobs similar to the USPS city letter carriers. He concluded that UPS package car drivers received higher pay but that UPS air drivers and Federal Express couriers received lower pay. In addition, he updated his data, initially prepared in 1995, concerning the pay received by private-sector light truck drivers, utilizing ECI figures (and cross-checks), concluding that USPS LCs receive a substantial premium.

DONALD S. HALL, who served as an industrial engineer and senior management official with UPS before his retirement in 1998, made a presentation describing the various job classifications utilized by UPS to perform sorting, loading and delivery work; the work performed by employees holding those jobs; and the compensation system used by UPS to pay them. In addition, he described the differences between the work performed by UPS employees and the work performed by LCs based upon his personal observation and his observation of evidence presented at the hearing herein.

DAVID A. STANTON, USPS Chief Counsel for Labor Relations, made a presentation describing the history of: the relationship between the pay received by clerks and letter carriers, starting in the late 19th Century and continuing through changes brought about by congressional action, beginning in 1907; the two major job evaluations that dealt with the subject in 1920 and 1955; the benchmark system of job evaluations and its application pursuant to the provisions of the ELM for four arbitration proceedings involving standard positions; and the "guiding principles" which have emerged from that history, according to the USPS.

LARRY B. ANDERSON, USPS Manager of Safety and Health, made a presentation describing: the current provisions of the Federal Employees Compensation Act and how they compare to the provisions of state workers' compensation laws; differences in the reporting procedures followed by the USPS and the various governmental agencies that track the injury and illness statistics for the USPS and private sector employees, and the results of those reports included in the record; and the USPS's own data, showing that LC injuries and illnesses have decreased in recent years.

KEVIN B. RACHEL, USPS Deputy Managing Counsel, made a presentation dealing with the history of the establishment of the T-6 (carrier technician) position, the NALC proposal in 1990 to assign that classification to Grade 6 and expand upon its usage, the award of Arbitrator Mittenthal selecting the NALC's proposal to do so, and the implementation of Arbitrator Mittenthal's award.

DONALD B. DEVELIN, a labor economist in the USPS Office of Collective Bargaining and Arbitration, presented a series of exhibits dealing with the impact of COLA payments since 1995 on employees working at all steps and grades; the total percentage wage increases received by employees who were working in Grades 5 and 6 and the step increases received during the last two collective bargaining agreements; and changes in the cost of apparel during the term of the expired agreement, as measured by the Producer Price Index (PPI).

EDWARD F. WARD, JR., Manager of Collective Bargaining and Arbitration, made a presentation describing the various fringe benefits available to bargaining unit employees and the history of NALC proposals that were based upon increases in street time and changes in working conditions dealing with rest breaks, satchels, satchel weight limits, and satchel carts. He also presented additional information concerning the right of LCs to ask for route evaluations and changes in the ECI through June of 1999.

Surrebuttal

Dr. MICHAEL WACHTER, William B. Johnson Professor of Law and Economics at the University of Pennsylvania, presented testimony intended to rebut certain aspects of the presentations made by the NALC's economists.

BONNIE GOETZKE, USPS Program Manager for Forwarding Operations, described the operation of the USPS national change of address (NCOA) system, including references to the percentage of mail normally found to be undeliverable during the first 30, 90 and 180 days after a change of address occurs; its impact on

clerks, rural and city letter carriers; and steps being taken to share such information with mass mailers and otherwise reduce the amount of undeliverable mail in the DPS system.

KEVIN B. RACHEL, USPS Deputy Managing Counsel, presented additional exhibits related to the results of the validation study conducted in 1981, the number of Clerks and Mail Handlers in positions referred to by USPS witnesses, and the number of locations where city and rural letter carriers work together.

PATRICIA A. HEATH, a labor relations specialist in the USPS Office of Bargaining and Arbitration, presented testimony concerning the number of NALC grievances that have reached the second step (or step A) of the grievance procedure in PFY 1999 and the number that carried one or more computerized arbitration digest (CAD) code numbers that might be associated with alleged poor performance.

HOWARD J. KAUFMAN, a USPS Senior Counsel, presented four exhibits dealing with the quality of DPS mail, an award issued by Arbitrator Sylvester Garrett, which discussed the difference between “hard time” and “soft time”, an MOU reached with the NRLCA on the use of scanners, and the number of pieces of mail scanned during PFY 1999. He also presented documents related to the question of whether there exists an agreement to change the M-41 to reflect that LCs have the right to take a form 3982 on their route.

EDWARD F. WARD, JR., Manager of Collective Bargaining and Arbitration, presented an additional exhibit, providing more detail concerning the number of employees serving in Clerk positions with populations of 5000 or more.

DONALD B. DEVELIN, a labor economist in the USPS Office of Collective Bargaining and Arbitration, presented information concerning past increases in the payments made under drive-out agreements and increases in the private transportation component (and subcomponents) of the CPI-W.

EDWARD F. WARD, Jr., USPS Manager of Collective Bargaining and Arbitration, made a final presentation dealing with similarities in the CBAs between the USPS and each of its three largest unions; the NALC's past efforts to obtain an upgrade for LCs; the history of the "fourth bundle" dispute; the wage rate increases established for non bargaining unit personnel, and the increases possible thereunder; background information concerning events leading to the parties' agreement regarding changes in the health insurance article; recent layoffs in the private sector; the issue of parity; and the accuracy of a number of the statements made by the NALC's President, in his rebuttal presentation.

CALL FOR LAST BEST OFFERS

The parties' positions, as reflected in their formal proposals, were widely separated. Although they met--through four main committees--and discussed numerous matters, they entered into no binding agreements on those items prior to the issuance of the award in this case, except for the agreement on health benefits signed on August 11, 1999.

In these circumstances, it is tempting to observe, as did Arbitrator Stark on page 34 of his award, that "there [again] has been a regrettable failure of collective bargaining." Such a characterization would constitute an unfair exaggeration. True, it can be argued that collective

bargaining has failed any time the parties fail to reach a voluntary agreement and there is a resort to arbitration. However, an objective view of this round of negotiations discloses that the parties tried very hard to reach a voluntary settlement, but failed to do so because of their inability to resolve the basic economic terms, i.e., the length of the agreement, the size of the annual increases to be granted during each of the years of the agreement, and the NALC's proposal to upgrade all letter carriers.

In making these observations, it should be noted that the parties steadfastly held to their agreements not to disclose the contents of their off the record discussions or their discussions with Mediator Horvitz. Even so, during the course of this proceeding it became clear that the USPS would have modified its formal position to mirror the basic economic terms agreed to by the APWU, Mail Handlers and NRLCA (for PFY 1999), if it would have produced a voluntary settlement. That message was implicit in the evidence and arguments presented by the USPS on the subjects of parity and bargaining history.

It also became clear that the NALC was unwilling to accept those basic economic terms for a number of reasons. The NALC believes that they were agreed to in exchange for job security provisions that are not being sought by the NALC, and that they are inadequate based upon current economic conditions, the USPS's current financial condition and comparisons to the wage rates of employees performing comparable levels of work in the private sector. Most importantly, the NALC believes that they fail to fairly compensate city letter carriers for changes in the work they currently are called upon to perform.

After considering these matters, the Board decided that the parties should be asked to do two things. First, they were asked to either resolve or drop all of the other economic issues.¹⁰ Then—assuming that the COLA provision would be extended for the length of the agreement without substantive change, as in the agreements with the APWU and Mail Handlers—they were asked to put forth their Last Best Offers on the three basic economic issues. After making appropriate consultations, they agreed to do so. The Board determined to select one of the two offers, on a total package basis.¹¹

NALC's LAST BEST OFFER

On Saturday, September 18, 1999 the NALC delivered the following Last Best Offer to the Board:

I. Term of Agreement: 3 years. November 21, 1998 – November 19, 2001

II. General Wage Increases:

- a) Effective November 21, 1998: 2%
- b) Effective November 20, 1999: 1.4%
- c) Effective November 20, 2000: 1.2%

III. Upgrade:

Effective November 20, 2000, all letter carrier craft employees to be upgraded to GRADE 6. Maintain existing Carrier Technician differential.

USPS's LAST BEST OFFER

¹⁰ The parties had already agreed to drop all "non-economic" issues.

¹¹ All proposals of the parties not dealt with specifically by Award of the Board were either withdrawn or have not been adopted by the Board.

On Saturday, September 18, 1999 the USPS delivered the following Last Best Offer to the Board:

The intent of the following last best offer is to continue wage parity with employees represented by the APWU:

Wages (General Increases)

- 1st year of contract - Effective November 20, 1999, the basic annual salary for each grade and step shall be increased by an amount equal to 2.0% of the basic annual salary for the grade and step in effect as of November 20, 1998. The parties have agreed to a one-time cash payment schedule for the first year of the contract.
- 2nd year of contract - Effective November 20, 1999, the basic annual salary for each grade and step shall be increased by an amount equal to 1.4% of the basic annual salary for the grade and step in effect as of November 20, 1998.

Salary Grade

- The city letter carrier position shall remain at grade 5. The carrier technician position shall remain at grade 6.

Duration of Agreement

- Two years, i.e., from November 21, 1998 to and including 12 midnight November 20, 2000.

DISCUSSION

There are two differences between the parties' Last Best Offers. Both offers mirror the basic economic terms of the settlements reached with the APWU and Mail Handlers, up to the date of expiration of those agreements. On that date, the NALC's offer would upgrade all letter carrier craft employees (and carrier technicians). Also, the NALC's offer would add a third year to the agreement, with an ATB increase of 1.2%.

While the length of the agreement and the increase, if any, to be granted in the third year are not insignificant issues, the upgrade issue is deemed to be of controlling importance.

In 1995, Arbitrator Stark addressed this issue at p. 35 of his opinion as follows:

The Union's proposal to promote all LCs to Grade 6 is based largely on its belief that more LCs are spending more of their working hours on the street performing tasks which are more like tasks performed by delivery persons at UPS and Fed Ex than are the clerical-type tasks accomplished on the inside. The trend may certainly exist. But automation and introduction of DPS technology is far from complete. Accordingly, it would be premature to consider taking this major step now, a step, not insignificantly, whose cost would approximate \$1.2 billion over four years. The whole relationship of remuneration to job requirements and performance, moreover, may be an appropriate matter for exploration during the discussions which this Board is urging the parties to resume after the new contract is effective.

The USPS's member of that Board, Joseph J. Mahon, Jr., made the following comments on this issue in his separate opinion:

Of special concern [are] the Chairman's comments regarding the Level Six issue. Totally ignored was the testimony of professional job evaluators that carriers and clerks remain closely linked in job responsibility, and the comments seemed to give some weight to the self-serving assertions of letter carriers that, in the future, they will probably work harder. Evidence of recent productivity does not support this premise. Progressive, high performance employers are today paying for demonstrated performance, not future promises.

When this hearing began, DPS mail had been added to approximately 140,000 (or approximately 85%) of all city carrier routes. By November 20, 2000, the introduction of DPS mail should be complete. The parties have made extensive presentations on the upgrade issue in this case. The time is right to make a decision on the question, "up or down." For the reasons discussed below, the Chairman concludes that the proposed upgrade is justified and that the NALC's Last Best Offer should be selected.

Parity and the 1998 "Pattern" Settlement

The USPS argues that the granting of the upgrade will disturb a parity relationship that has

existed between LCs and clerks for many years and that it will have a destructive effect on collective bargaining. These are extremely important considerations. They have not been ignored.

The wage rates paid to LCs have been the same as the wage rates paid to Clerks since at least 1907, when Congress first rationalized the wage rates of postal workers. However, the evidence discloses that an argument has been advanced on a number of occasions over the years, that LCs should be paid more than Clerks, because of the physical requirements of the LC job, and the fact that the bulk of a LC's duties are carried on outdoors. There is no evidence that the opposite argument has ever been made, i.e., that the work of a Clerk is more physically demanding or hazardous, etc. Putting aside the dispute as to whether there exists a "postal premium" or the size of that premium,¹² all of the expert witnesses were in agreement that there does exist an "outdoor premium," greater than the 3% which separates grade 5 from grade 6 or grade 6 from grade 7.

The potentially disruptive effect of a favorable decision on the upgrade issue has likewise not been disregarded, even though the NALC's offer delays its implementation until the end of the first two years of the agreement. The USPS cites a number of arbitration awards (including several authored by the Chairman) which recognize the importance of adhering to an internal (or external) pattern of settlements, in order to discourage unions from competing with each other and seeking to outdo each other. Decisions which ignore that problem discourage voluntary agreements and encourage "leapfrogging" and other undesirable practices.

In nearly every one of the decisions cited by the USPS the arbitrators qualified such statements by recognizing that an exception should be made when necessary to address a proven inequity. If

¹²The upgrade issue is viewed as involving an internal inequity, not comparability with the private sector.

such an exception is found to be justified, an employer should be able to rely on that finding in future negotiations and, if need be, in future arbitration proceedings.

Impact of Automation

To a large extent, this case is about the impact of automation on job content, as opposed to job security.¹³ Drs. Portwood and Kochan both testified that the introduction of new technology frequently triggers a reexamination of the fairness of pay classification systems. As Dr. Kochan stated, an employer must make necessary adjustments in compensation and other employment practices if it wants to make certain that workers accept technological changes, so that the employer can actually achieve the desired increases in overall productivity. He made the following concluding observation:

I'm not here to tell you whether the technologies that you are introducing here in the Postal Service are increasing skills, reducing skills, changing them. I'm saying that whatever you determine the effect on skills—and I think it's an obligation of this arbitration panel to make that determination—you ought to then make the next natural step of adjusting classifications and wages accordingly.

The evidence presented by both parties on the upgrade issue was often disputed and far too extensive to allow for detailed analysis. Suffice it to say that it was sufficient to convince the Chairman that the introduction of automation in the processing of mail, along with certain other changes over time, have made the work of city letter carriers significantly more difficult. When consideration is given to the fact that the work of a city letter carrier was arguably more difficult than

¹³Job security issues have taken on importance in other bargaining units, as reflected in the terms of the agreement with the APWU. While, as Arbitrator Clark Kerr observed at 83 LA 1111, “the future is uncertain—very uncertain,” the job security of LC's—like the employees of delivery services generally—would not appear to be put at risk by the current revolution in information technology.

the work of a clerk before those changes were introduced—because of the physical component and the requirement that most of the work be performed outside—the request for an upgrade is found to be justified.

Admittedly, the impact of automation on the letter carrier classification is somewhat uneven. Specifically, the impact varies by the type of route and the location of the route. The greatest impact occurs in the case of park and loop routes and foot routes, which together comprise approximately three-fourths of all existing routes.¹⁴ Of these, the greatest impact is on routes in urban settings, especially those with a high turnover of residents, and in all locales with a high number of days with inclement weather conditions.

As a result of automation, and a general increase in mail volume, there has been an increase in the amount and weight of mail delivered by individual LCs. With the introduction of DPS mail, LCs must now carry and "finger" two or three bundles of mail and exercise great care, while covering their route, to insure that the "three misses" are separated out and properly delivered or returned and properly reprocessed. In short, it has become both physically and mentally more difficult to insure that "the right mail gets delivered to the right person" and promptly.

With the introduction of the scanner, letter carriers are now required to utilize that device on their route, while delivering mail from two or three bundles (not counting marriage mail) and dealing with their increased record-keeping chores. While letter carriers are not currently required to use the scanners with great frequency, it is anticipated that the new service of delivery confirmation will

¹⁴While the percentage of routes that are predominantly foot routes has diminished over time, foot routes represent less than 15% of all routes and there is no indication that they will ever disappear.

become popular.

It is true that letter carriers have the right to have a route inspection any time they believe that the requirements of their route exceed 8 hours on a typical day and the weight limit on their satchel has not increased. Also the number of delivery points per route has declined slightly. However, the fact remains that the work performed during an 8 hour day has become significantly more difficult.

If one focuses on the impact of these changes on a route that is 100% mounted,¹⁵ it is significantly less, but does not disappear. Further, neither party has argued that the letter carrier classification should be evaluated other than as a whole. This is no doubt due to the long-standing practice of treating all employees within a craft uniformly, by classification, for pay purposes. Just as a letter carrier in Manhattan or suburban Connecticut gets paid the same as a letter carrier in Auburn, Alabama, a letter carrier on a park and loop or walking route in east Los Angeles gets paid the same as a letter carrier on a mounted route in one of the newer suburbs of Chicago.

It has no doubt always been the case that some routes are “easier” than others and that continues to be true. Such differences are no doubt moderated to some extent by the exercise of seniority rights during the course of a career. The important point for present purposes is that the classification-wide impact of changes in the work of employees in the letter carrier craft, brought about by automation and otherwise, is clearly sufficient to justify the upgrade being sought by the NALC.

¹⁵Few routes involve only one type of delivery. Less than 20% were described as being “mounted.”

Length of the Agreement

It has already been stated that the upgrade issue is deemed to be the controlling issue for purposes of selecting between the two Last Best Offers. That might not be true if the NALC were asking for an agreement of unreasonable duration or asking for an unreasonable percentage increase in the third year. It is not.

By the time the award in this case is implemented, there will be little more than two years left to apply its terms. While the length of the agreement may put negotiations with the NALC “out of sync” with the negotiations with the APWU and Mail Handlers, that ought not prevent the USPS from continuing to pursue its goal of negotiating identical and moderate wage increases with its major unions.

For these reasons the Board of Arbitration issues the following:

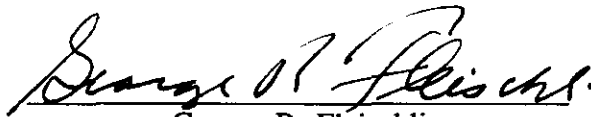
AWARD

The last best offer submitted by the NALC is hereby ADOPTED.

Certain contractual language agreed to by the parties is incorporated as part of this award and is attached hereto.

The parties will meet within 30 days to resolve any outstanding issues with respect to contract language or implementation of the Award. The Panel will retain jurisdiction over any issues which the parties are unable to resolve.

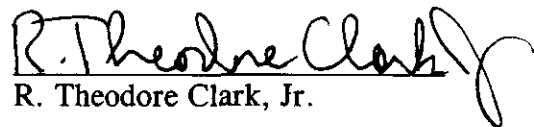
Dated at Washington, D.C., this 19th day of September 1999.


George R. Fleischli
Chairman

I concur:


Bruce H. Simon

I dissent:


R. Theodore Clark, Jr.

Dissent of Member Clark:

Earlier this year, for the first time since 1987, the Postal Service was able to successfully negotiate contracts with its other major unions, thereby breaking a cycle of interest arbitration. The failure to give sufficient weight to this well established settlement pattern and to the parity relationship that has existed for nearly a century with APWU is shocking. The "evidence" upon which the award is based falls far short of the kind of compelling evidence that interest arbitrators normally insist upon in order to break such a well established parity relationship. This award will have extremely negative consequences for the future of Postal Service collective bargaining and the Postal Service's ability to remain competitive in the market place. As the Chairman ruled just a little over four years ago in City of Milwaukee, Decision No. 27905-B (May 1, 1995), "An award which disregards a well established internal pattern of settlement or a parity relationship can be very disruptive to the bargaining process." In my opinion, this award will have just that effect. I, therefore, dissent.

PREAMBLE

This Agreement (referred to as the **1998 National Agreement**) is entered into by and between the United States Postal Service (hereinafter referred to as the “Employer”) and the National Association of Letter Carriers, AFL-CIO (hereinafter referred to as the “Union”), pursuant to an Arbitration Award issued **September 19, 1999**. In accordance with terms of this Award, the Agreement is effective as of the date of the Award unless otherwise provided.

ARTICLE 9

SALARIES AND WAGES

Section 1. Basic Annual Salary

For those grades and steps in effect during the term of the 1994 Agreement, the basic annual salary schedules, with proportional application to hourly rate employees, for those employees covered under the terms and conditions of this Agreement shall be increased as follows:

Effective November 20, 1999—the basic annual salary for each grade and step shall be increased by an amount equal to 2.0% of the basic annual salary for the grade and step in effect as of November 20, 1998.

Effective November 20, 1999—the basic annual salary for each grade and step shall be increased by an amount equal to 1.4% of the basic annual salary for the grade and step in effect as of November 20, 1998.

Effective November 18, 2000—the basic annual salary for each grade and step shall be increased by an amount equal to 1.2% of the basic annual salary for the grade and step in effect as of November 20, 1998.

Section 2. Upgrade

Effective November 18, 2000, all Grade 5 employees covered by this Agreement will be upgraded to Grade 6, and the existing carrier technician differential will be maintained, in accordance with the Arbitration Award issued September 19, 1999.

Section 3. One-Time Cash Payments

A. Full-Time Employees

All non-probationary full-time employees covered by this Agreement shall receive one-time cash payments, not to be included in basic pay, as follows:

<u>Grade 5</u>		<u>Grade 6</u>	
A	\$725	A	\$767
B	\$802	B	\$849
C	\$863	C	\$881
D	\$923	D	\$942
E	\$931	E	\$950
F	\$938	F	\$958
G	\$946	G	\$967
H	\$954	H	\$975
I	\$961	I	\$984
J	\$969	J	\$992
K	\$977	K	\$1,000
L	\$985	L	\$1,009
M	\$992	M	\$1,017
N	\$1,000	N	\$1,025
O	\$1,008	O	\$1,034

B. Hourly Rate Employees

Non-probationary hourly rate employees, who have been paid for less than 2000 hours during the twenty-six pay periods prior to the effective date of the cash payment, i.e., **September 19, 1999**, shall receive such payment based on their number of paid hours during that period in accordance with the following schedule:

<u>Number of Paid Hours</u>	<u>Percent of Cash Payment</u>
1 and Under 500	25
500 and Under 1000	50
1000 and Under 1500	75
1500 and Over	100

The percentage determined as a result of the above computation will be applied to the cash payments to determine the non-probationary hourly rate employee's share of the one-time cash payments. **This payment does not become part of the employee's basic pay.**

C. Eligibility

1. Full-Time Employees

In order to be eligible to receive a cash payment, the employee must be in a full-time regular pay status during the pay period immediately prior to the effective date of the cash payment, i.e., **September 19, 1999**.

2. Hourly Rate Employees

In order to be eligible to receive a cash payment, an hourly rate employee must be in a pay status during the pay period immediately prior to the effective date of the cash payment, i.e., **September 19, 1999.**

Section 4. Cost of Living Adjustment

A. Definitions

1. "Consumer Price Index" refers to the "National Consumer Price Index for Urban Wage Earners and Clerical Workers," published by the Bureau of Labor Statistics, United States Department of Labor (1967=100) and referred to herein as the "Index."
2. "Consumer Price Index Base" refers to the Consumer Price Index for the month of **October 1998** and is referred to herein as the "Base Index."

B. Effective Dates of Adjustment

Each employee covered by this Agreement shall receive cost-of-living adjustments, upward, in accordance with the formula in Section 3.C, below, effective on the following dates:

- **based on the release of the January 1999 Index (effective November 20, 1999)**
- **based on the release of the July 1999 Index (effective November 20, 1999)**
- the second full pay period after the release of the **January 2000** Index
- the second full pay period after the release of the **July 2000** Index
- **the second full pay period after the release of the January 2001 Index**
- **the second full pay period after the release of the July 2001 Index**

C. The basic salary schedules provided for in this Agreement shall be increased 1 cent per hour for each full 0.4 of a point increase in the applicable Index above the Base Index. For example, if the increase in the Index from **October 1998** to **January 1999** is 1.2 points, all pay scales for employees covered by this Agreement will be increased by 3 cents per hour. In no event will a decline in the Index below the Base Index result in a decrease in the pay scales provided for in this Agreement.

D. In the event the appropriate Index is not published on or before the beginning of the effective payroll period, any adjustment required will be made effective at the beginning of the second payroll period after publication of the appropriate Index.

E. No adjustment, retroactive or otherwise, shall be made due to any revision which may later be made in the published figures for the Index for any month mentioned in 3.B, above.

F. If during the life of this Agreement, the BLS ceases to make available the CPI-W (1967=100), the parties agree to use the CPI-W (1982-84=100) at such time as BLS ceases to make available the CPI-W (1967=100). At the time of change to the CPI-W (1982-84=100), the cost-of-living formula in Section 3.C will be recalculated to provide the same cost-of-living adjustment that would have been granted under the formula using the CPI-W (1967=100).

Section 5. Application of Salary Rates

Except as provided in Section 2, the Employer shall continue the current application of salary rates for the duration of this Agreement.

Section 6. Granting Step Increases

The Employer will continue the program on granting step increases for the duration of this Agreement.

[see Memo, page ____]

Section 7. Protected Salary Rates

The Employer shall continue the current salary rate protection program for the duration of this Agreement.

Section 8. Transitional Employees

Except as provided in Section 2, transitional employees will be hired at Level 5, Step A, and will be paid at Step A of the position to which they are assigned.

The hourly rate paid to transitional employees will be subject to the increases and adjustments set forth in Sections 1, 2, and 4 above.

ARTICLE 21
BENEFIT PLANS

Section 1. Health Benefits

The method for determining the Employer bi-weekly contributions to the cost of employee health insurance programs under the Federal Employees Health Benefits Program (FEHBP) will be as follows:

A. The Office of Personnel Management shall calculate the subscription charges under the FEHBP that will be in effect the following January with respect to self only enrollments and self and family enrollments.

B. The bi-weekly Employer contribution for self only and self and family plans is adjusted to an amount equal to 85% of the weighted average bi-weekly premiums under the FEHBP as determined by the Office of Personnel Management. The adjustment begins on the effective date determined by the Office of Personnel Management in January 2000, January 2001, and January 2002.

C. The weight to be given to a particular subscription charge for each FEHB plan and option will be based on the number of enrollees in each such plan and option for whom contributions have been received from employers covered by the FEHBP as determined by the Office of Personnel Management.

D. The amount necessary to pay the total charge for enrollment after the Employer's contribution is deducted shall be withheld from the pay of each enrolled employee. To the extent permitted by law, the Employer shall permit employees covered by this Agreement to make their premium contributions to the cost of each plan on a pre-tax basis, and shall extend eligibility to such employees for the U.S. Postal Service's flexible spending account plans for unreimbursed health care expenses and work-related dependent child care and elder care expenses as authorized under Section 125 of the Internal Revenue Code.

E. The limitation upon the Employer's contribution towards any individual employee shall be 88.75% of the subscription charge under the FEHBP in 2000, 2001, and 2002.

Section 2. Life Insurance

The Employer shall maintain the current life insurance program in effect during the term of this Agreement.

Section 3. Retirement

The provisions of Chapters 83 and 84 of Title 5 U.S. Code, and any amendments thereto, shall continue to apply to employees covered by this Agreement.

Section 4. Injury Compensation

Employees covered by this Agreement shall be covered by subchapter I of Chapter 81 of Title 5, and any amendments thereto, relating to compensation for work injuries. The Employer will promulgate appropriate regulations which comply with applicable regulations of the Office of Workers' Compensation Programs and any amendments thereto.

Section 5. Health Benefit Brochures

When a new employee who is eligible for enrollment in the Federal Employee's Health Benefit Program enters the Postal Service, the employee shall be furnished a copy of the Health Benefit Plan brochure of the Union signatory to this Agreement which represents the craft in which the employee is to be employed.

Article 26, Section 2. Annual Allowance

The annual allowance for eligible employees in the reimbursable uniform program shall be as follows:

- A. Annual allowance for all eligible employees shall be increased from present \$277.00 per annum to **\$291.00 per annum effective November 20, 1999**. The increase shall become effective on the employee's anniversary date. Annual allowance for all eligible employees shall be increased from **\$291.00 per annum to \$298.00 per annum effective November 18, 2000**. The increase shall become effective on the employee's anniversary date.

- B. A newly eligible employee entering the reimbursable uniform program will receive an additional credit to the employee's allowance of **\$67.00 if entitled to \$291.00 per annum effective November 20, 1999**. A newly eligible employee entering the reimbursable uniform program will receive an additional credit to the employee's allowance of **\$69.00 if entitled to \$298.00 per annum effective November 18, 2000**.

An eligible employee cannot receive the additional credit more than once; however, the current procedures regarding employees transferring from one allowance category to another shall be continued.

(Driveout Agreements)

Article 41, Section 4.3.a.

Effective September 25, 1999, for transportation of carrier and carry-out swing from delivery unit to beginning of route when distance is ½ mile or more or from end of route if route begins less than, but ends more than ½ mile from delivery unit.

REIMBURSEMENT RATES

Mileage	Daily Rate
0.5 to 1.0	\$2.30
1.1 to 1.5	\$2.55
1.6 to 2.0	\$2.65
2.1 to 3.0	\$2.80
3.1 to 4.0	\$2.85
4.1 to 5.0	\$3.15
Over 5	\$3.20 plus 20 cents per each additional mile (one way) over five miles to beginning of route.

Article 43, Section 2. Duration

Unless otherwise provided, this Agreement shall be effective November 21, 1998, and shall remain in full force and effect to and including 12 midnight November 20, 2001, and unless either party desires to terminate or modify it, for successive annual periods. The party demanding termination or modification must serve written notice of such intent to the other party, not less than 90 or more than 120 days before the expiration date of the Agreement.

(The preceding Article, Article 43 shall apply to Transitional Employees)