

BEFORE THE INTEREST ARBITRATION PANEL

In the Matter of:

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| UNITED STATES POSTAL SERVICE |) | |
| |) | |
| Employer |) | |
| |) | |
| -and- |) | 2015 National Agreement |
| |) | |
| AMERICAN POSTAL WORKERS UNION, AFL-CIO |) | |
| |) | |
| Union |) | |
| |) | |

INTEREST ARBITRATION DECISION AND AWARD
Effective Date: July 8, 2016

INTEREST ARBITRATION PANEL

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ROBERT A. DUFEK, USPS Member
PHILLIP TABBITA, APWU Member

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I. INTRODUCTION

This Interest Arbitration Panel was convened pursuant to 39 U.S.C. Section 1207(c) of the Postal Reorganization Act (PRA) to resolve an impasse over the terms of the next National Agreement between the United States Postal Service (“Postal Service”) and the American Postal Workers Union, AFL-CIO (“APWU” or “Union”). In reaching its decision, the Panel has carefully considered the arguments and evidence submitted by the parties, relevant statutory provisions and their legislative history, past interest arbitration awards, and postal labor negotiations history. The Panel appreciates the vigorous and constructive role undertaken by each of the parties as they advanced their respective positions.

II. BACKGROUND

The 2010 Agreement between the Postal Service and the APWU expired on May 20, 2015. Despite extensive negotiations and mediation under 39 U.S.C. § 1207(b), the parties were unable to settle on terms for a new National Agreement. This Panel was established to resolve their impasse, which includes issues of both economics and working conditions. The Chairman of the Panel was mutually selected by the parties, who also designated their own members of the Panel as required by the PRA. The APWU appointed Phillip Tabbita, APWU Manager, Negotiations Support and Special Projects, and the Postal Service appointed Robert A. Dufek, Postal Service Manager, Labor Relations Strategies.

The parties filed extensive and informative pre-hearing briefs on February 12, 2016, setting forth what each viewed as the important issues in dispute, as well as how the Panel should decide those issues. On February 17, 2016, the first day of hearings,

the parties presented lengthy opening statements that elaborated on the positions they had taken in their pre-hearing briefs.

Between February 17 and April 28, 2016, the Panel held eighteen days of hearing in Washington, D.C., during which both sides presented numerous witnesses and exhibits. The transcript of hearing testimony is over 3,000 pages long, and is supplemented by written testimony, attorney presentations, and over 350 exhibits. At the direction of the Chairman, the Panel received additional evidence in executive session, all of which is part of the record of this proceeding. The logistical effort required to manage this volume of material was great, and we would be remiss not to thank the APWU and Postal Service support staff, without whom these proceedings would not have proceeded nearly as smoothly and efficiently as they did.

The evidence introduced in these proceedings was a reminder of the importance of the United States Postal Service in connecting our country, and the vital role Postal Service employees serve in fulfilling its mission. It was a pleasure to see inside the Postal Service's operations through the testimony of its managers and employees, and to consider important issues critical to their work. One such issue, to which we now turn, is the compensation and benefits of career employees.¹

¹ The compensation and benefits of Postal Support Employees are addressed in Section IV of the Award.

III. ECONOMIC ISSUES²

A. Compensation and Benefits

1. Statutory Background

The Postal Reorganization Act of 1970 (PRA) requires that the compensation and benefits of Postal Service employees shall be comparable to those paid in the private sector. Title 39 U.S.C. § 101(c), provides:

As an employer, the Postal Service shall achieve and maintain compensation for its officers and employees comparable to the rates and types of compensation paid in the private sector of the economy of the United States.

Similarly, Title 39 U.S.C. § 1003(a), provides in part:

It shall be the policy of the Postal Service to maintain compensation and benefits for all officers and employees on a standard of comparability to the compensation and benefits paid for comparable levels of work in the private sector of the economy....

The comparability mandate is augmented in Section 101(c) by the following:

[The Postal Service] shall place particular emphasis upon opportunities for career advancements of all officers and employees and the achievement of worthwhile and satisfying careers in the service of the United States.

2. The Financial Condition of the Postal Service

The evidence clearly shows the Postal Service to be in a difficult financial position. This is due in substantial part, albeit not entirely, to the diversion of First-Class Mail to electronic communications, coupled with an expanding delivery network to which the Postal Service must deliver fewer mail pieces. Because of the loss of much of its First-Class Mail revenue, the Postal Service asserts that it must, as a matter of survival, increasingly focus on new services and products such as the packages and parcels

² The Opinion that follows is that of the Chairman, informed by the advice and counsel of Panel members Robert A. Dufek and Phillip Tabbita.

delivery market. Just as the First-Class Mail market is shrinking due to electronic competition, the market for the delivery of packages and parcels is expanding as a result of the shipping of purchases made on the Internet. The packages and parcels delivery market is, however, extremely competitive, with several large nationwide delivery services seeking to expand their market share, often competing with each other and the Postal Service on price to do so. All of these factors, according to the Postal Service, require it to keep its labor costs under control.

The Union concedes that the Postal Service is facing significant financial challenges, but points out that the PRA is clear in requiring the Arbitration Panel to base its award solely on the comparability of Postal Service wages and benefits to those in the private sector, not on the Postal Service's financial condition. To be sure, the Union voluntarily made financial concessions in the 2010 Agreement, at a time when, it asserts, the Postal Service's financial condition was far worse than it is today, but that, the Union asserts, does not authorize the Arbitrator to impose wage and benefit concessions in the 2015 Agreement. The Union concludes, and the Postal Service does not disagree, that the Arbitrator has no choice under the PRA, but must base his wage and benefit award solely on comparability, not on the financial condition of the Postal Service.³

In rendering this Award, I acknowledge the financial problems affecting the Postal Service, but accept, as I must, the primacy of the statutory comparability

³ Nor, the parties agree, is this conclusion altered by the Postal Accountability and Enhancement Act of 2006 (PAEA), even though that Act imposed a fundamental shift in the Postal Service's business from a break-even model in which costs were passed through to customers to a profit-or-loss model that requires the Postal Service to successfully manage its costs. In brief, the cost-control mandate of the PAEA does not alter the application of the comparability mandate as the governing standard for determining Postal Service compensation and benefits.

standard in fashioning an award on the wages and benefits of APWU-represented employees. I also note that even greater freedom on my part to determine an appropriate level of wages and benefits would be insufficient to provide a meaningful solution to the Postal Service's financial problems. For, as substantial a portion of Postal Service expenses as are employee wages and benefits, representing upwards of 80% of total Postal Service expenses, with APWU labor costs accounting for 22 - 25% of total expenses, other costs loom large in the Postal Service's current financial difficulties. Many of these are long-term legacy costs, especially retiree health care and pensions, which are statutorily mandated, as is the retiree health benefits prefunding obligation, which has significantly contributed to the Postal Service's recent deficits. None of these Congressionally imposed costs are subject to collective bargaining or to change in interest arbitration. Nor is it clear that this Panel can address cost issues related to universal service, frequency of delivery, pricing, and new revenue producing services. All that is clearly within the Panel's authority are the wages and non-statutory benefits of employees covered by this collective bargaining agreement. These are not insignificant issues, but regardless of what is done here, it cannot substitute for Congressional action on comprehensive postal reform legislation.

In sum, I join previous Arbitrators and Postal Service Interest Arbitration Panels in recognizing the limits on our authority, and in calling on Congress to take appropriate action to deal with the regulatory and legacy cost issues that stand in the way of the Postal Service achieving long-term fiscal health. That being said, the Panel shall abide by our statutory duty to determine the level of compensation and benefits that is

necessary for APWU-represented employees in the Postal Service to be treated similarly to employees performing comparable work in the private sector.

3. Contentions of the Parties Regarding Comparability of Wages and Benefits

With regard to the wages and benefits of career employees, the Union's primary demands were a general wage increase in the amount of 3% per year, merger of the current two career scales, and various improvements to benefits. The Postal Service countered with an offer of a 1% general wage increase per year, the addition of a third lower career scale, and reductions to the employer's share of premiums for employee health benefits.

The Postal Service, in support of its offer, presented voluminous evidence intended to show that career employees in the Postal Service receive wages and benefits in excess of those received by employees performing similar work in the private sector – an excess it refers to as a “wage premium”. The Postal Service's evidence consisted of analyses of wage comparability, including job matching using private sector wage surveys, comparisons of relative job skills and pay using the O*NET and Bureau of Labor Statistics (BLS) wage data, a CPS/O*Net regression analysis, and a quit rate survey. The latter showed quit rates for senior career APWU employees to be almost non-existent – less than 1%. The APWU asserted that various reasons other than wages may explain why senior career employees stay with the Postal Service – large numbers of career employees are ready to retire rather than start new careers, senior employees are particularly committed to the Postal Service and its mission, employees have the ability to transfer to different positions and different locations, and the Postal Service follows a long-standing practice of promoting from within. The APWU also

points out that the quit rate for new career employees, those hired onto the new lower career wage scale, are higher than for “old” career employees. Even for new career employees, however, the Postal Service points out that the quit rate is less than 5%, compared to an average of approximately 26% in the private sector.

The various analyses of wage comparability suggested that in higher-level APWU positions there is little, if any, difference between the compensation of Postal Service employees and that of employees performing similar work in the private sector. Indeed, there appears to be little disagreement between the parties on this point. Where they do disagree is with respect to postal clerks. According to the Postal Service, the evidence relating to clerks demonstrates that they enjoy a substantial wage premium compared to employees performing similar work in the private sector. One aspect of the Postal Service’s evidence on this score was that it is losing substantial amounts of mail processing work to private sector competitors and consolidators, one of which processed 15 billion pieces of mail in 2015, representing 17% of total First-Class and Standard letter mail. The Postal Service also pointed to evidence of substantially higher wages paid to Postal Service retail clerks as compared to private sector clerks and cashiers.

As to the latter, the APWU challenged the Postal Service’s analysis as failing to take account of the demands placed by their work on Postal Service retail clerks. For, the APWU asserts, retail clerks, by virtue of their many obligations, including knowing and applying a wide range of federal Postal Regulations, protecting the security of the U.S. mail, providing a wide diversity of services from processing Passports to selling stamps, and doing all this with limited supervision, are not at all comparable to private

sector clerks and cashiers. As for the private sector mail processors, the APWU contends that postal mail processing positions are more responsible positions than private sector mail processors. Postal Service mail processors sort to delivery sequence, regularly change schemes, typically perform duties beyond simply running their machines, and work with independence and limited supervision, often directing and assisting their own co-workers.

The Postal Service also presented evidence that postal benefits exceed private sector standards in the areas of retirement, retiree health, paid leave and health insurance contributions. In addition, it noted the non-measurable, but nonetheless substantial, economic benefit provided APWU-represented employees by the existence of a no-layoff provision in the National Agreement. The APWU observed that these benefits are largely the product of federal law, benefits the Postal Service is obligated to continue consistent with the PRA. According to the APWU, postal employees should not have their wages cut to pay for benefits required by Congress.

The Union argued that the best evidence of comparable wage rates are the career rates the Postal Service has negotiated in the past. These wage rates, the APWU urges, take into account not only private sector comparability but also the statutorily-required values of career advancement and worthwhile and satisfying careers. In addition, according to APWU, previously negotiated wage rates have also taken account of the Postal Service's human resource objectives of low attrition, long-term commitment to a postal career, and attracting highly-qualified, public service-minded, reliable employees. The APWU suggests that recent Postal Service wages and benefits have not, however, kept pace with private sector comparability or with the

statutory goals of career advancement and satisfying careers. It pointed out that the average bargaining unit wage has actually decreased since 2010. In addition, the APWU asserted that the APWU bargaining unit lags considerably behind the rate of growth in private sector wages, and that the wage increases the APWU seeks are near what is projected for private sector raises. The Postal Service response to these assertions was that although the average APWU wage did decline during the last contract, that was due to the APWU's 2010 Agreement with the Postal Service, pursuant to which the Union agreed to the introduction of PSEs and a new career wage scale. Individual career employees, however, received wage increases approximately equal to those received across the private sector.

In further support of its comparability argument, the APWU compared bargaining unit wages to wages in what it considered to be similarly-structured companies in the telecommunications and airline industries. The APWU urged that this evidence shows that the wages which it demands are found in those private sector companies, which, like the Postal Service, are characterized by a unionized work force, a similar network structure, and similar Human Resources values such as encouraging career employment. The Postal Service, in response, asserted that the Union's reliance on only two industries - telecommunications and airlines - was essentially an effort to "cherry-pick" those industries the Union believed to support its position. Additionally, according to the Postal Service, the job matches relied upon by the Union in those industries were weak, and the Union presented no evidence on airline industry average salaries (as opposed to top salaries), so that it is unclear whether the airline industry or the Postal Service actually pays more and by how much. The APWU countered that the

Postal Service was unable to tease out of its own evidence those companies with similar HR values as the Postal Service despite the obvious difference such values make to compensation.

In weighing the parties' arguments on wage and benefit comparability, certain factors stand out. Initially, I am persuaded, as the Postal Service asserts, that the package of economic benefits received by bargaining unit employees – retirement benefits, retiree health care, paid leave, low employee health care contributions, and a no-layoff provision – are superior to those typically available to private sector employees. Another factor which stands out are the quit rate data, which show that career Postal Service employees voluntarily leave their jobs at a rate far lower than do private sector employees. Despite APWU arguments to the contrary, I consider this as powerful evidence that APWU-represented employees consider their jobs with the Postal Service to be superior to the alternatives available to them elsewhere. To be sure, wages and benefits are not the only considerations that enter into an employee's decision whether to stay with the Postal Service or go elsewhere, but it would be naïve to believe that these are not major considerations. Hence, I conclude that the almost total unwillingness of APWU-represented employees to leave their jobs voluntarily is powerful evidence that they view their compensation and benefits as superior to what they would receive elsewhere, based on their skill and experience. Whether this be labeled a postal "premium" or rather evidence that the Postal Service is succeeding in retaining a skilled and dedicated workforce by virtue of a wage and benefit package that employees believe cannot be improved elsewhere, it does not suggest that the Postal Service is lagging the private sector in wages and benefits.

A final factor to be considered in determining what, in light of the conflicting evidence and arguments, should be our award on wages and benefits, is the recent collective bargaining agreement between the Postal Service and the National Rural Letter Carriers' Association ("NRLCA"), which was ratified by 83% of the NRLCA voting membership. That agreement, which is effective from May 2015 through May 2018, provides for general increases of 1.2%, 1.3%, and 1.3%, lagged six months; a COLA with a 2014 base; health benefits contribution reductions of 1% per year for three years; and preservation of the two-tier career wage structure.

While this Arbitration Panel is not bound to adopt the USPS-NRLCA wage and benefits agreement, and while I recognize that the USPS-NRLCA Agreement applies to a smaller, more homogenous unit of employees doing different work from APWU-represented employees, I nonetheless assign considerable weight to the USPS-NRLCA Agreement in determining the content of a wage and benefit package for the employees here involved. Interest arbitrators often look favorably at recent voluntary agreements, especially with the same employer, as evidence of what the parties would have agreed to if their negotiations had been successful. I follow that line of reasoning in assigning substantial weight to the NRLCA Agreement, negotiated under the same comparability standard applicable to these proceedings, as evidence of what would be appropriate for the APWU bargaining unit despite its differences from rural carriers.

In sum, having considered all the evidence and arguments, particularly the USPS-NRLCA Agreement, I have determined to award similar compensation and benefit provisions to the APWU-represented employees involved in this case as were negotiated in the USPS-NRLCA Agreement.

Certain aspects of this Award, albeit contained in the USPS-NRLCA Agreement, warrant additional discussion:

COLA. The Postal Service sought the elimination of the COLA provision that has been a part of the APWU Agreement since 1971. In support of its position, the Postal Service provided unrebutted evidence that COLA provisions are rare in private sector bargaining agreements today. It also asserted that a significant cause of what it views as a wage premium for postal employees has been the impact of COLA provisions over time. The absence of COLAs in private sector agreements does not, however, in itself warrant removing the COLA from this Agreement. As for its alleged contribution to a wage premium, that is part of a much broader inquiry into the existence of such a premium. In view of the 45-year history of COLAs in both voluntary and arbitrated contracts between the Postal Service and the APWU, I will not disturb the COLA in the 2015 Agreement, other than, as was agreed to in the NRLCA contract, to update its base month to July 2014.

Multiple Career Wage Schedules. The Union argued vigorously for the elimination of the lower wage schedule for new career hires that the parties agreed to in 2010. The NRLCA Agreement also contains a different pay structure for new career employees. The Postal Service, in return, proposed a third, still lower, wage schedule for the newest career employees. Having considered the parties' arguments, noting that the Postal Service maintained, but did not expand, the two-career scale system with the Rural Carriers, and given the other provisions of this Award, I reject the proposals of both parties to revise the career pay scales from what is presently in place.

Duration. Both parties proposed a three-year contract. However, during executive session, the parties accepted the idea of a slightly longer 40-month contract in light of the passage of time since the expiration of the 2010 Agreement. Therefore, the 2015 Agreement will be for a 40-month period, expiring on September 20, 2018.

4. **Award on Economic Issues**

For the reasons set forth above, including the terms of the NRLCA Agreement, I award the following economic terms on general wage increases, COLA, health benefit premiums, and uniforms.

a. **Wages**

Career bargaining unit employees are granted the following general wage increases:

- 1.2% effective November 14, 2015
- 1.3% effective November 26, 2016
- 1.3% effective November 25, 2017

b. **COLA**

The COLA formula in the 2010 Agreement shall continue to be utilized with a July 2014 Index base month.

c. **Health Benefits**

Beginning with the 2006 Agreement, there has been a trend of decreasing the Postal Service share of employee health insurance premiums by one percentage point per year. The APWU proposed to reverse the trend, increasing the Postal Service's share of premiums. The Postal Service, to the contrary, proposed accelerating the reduction in its share during this contract term in order to reach the 72% level that the

Federal government contributes to its employees' health insurance premiums. I reject both proposals. Instead, I will award a continuation of the trend in the last two Agreements between APWU and the Postal Service. The Postal Service's share of employee health insurance premiums will be reduced by 1% per year on the following schedule:

- For Plan Year 2017, the bi-weekly Employer contribution for FEHB plans will be 75% of the weighted average bi-weekly premiums as determined by the OPM, and will not exceed 78.25% for any individual plan.
- For Plan Year 2018, the bi-weekly Employer contribution for FEHB plans will be 74% of the weighted average bi-weekly premiums as determined by the OPM, and will not exceed 77.25% for any individual plan.
- For Plan Year 2019, the bi-weekly Employer contribution for FEHB plans will be 73% of the weighted average bi-weekly premiums as determined by the OPM, and will not exceed 76% for any individual plan.

d. Uniforms

Prior agreements show that the allowance for uniforms and work clothes has generally been increased by 2.5% per year. The Panel awards this same increase. In light of the passage of time since the expiration of the prior agreement, this Award shall adjust the first increase as follows:

- Effective May 21, 2016, the allowance for uniforms and work clothes will be increased by 5%
- Effective May 21, 2017, the allowance for uniforms and work clothes will be increased by 2.5%
- Effective May 21, 2018, the allowance for uniforms and work clothes will be increased by 2.5%

IV. POSTAL SUPPORT EMPLOYEES (PSEs)

The future of the PSE category was one of most contentious issues in these hearings. The APWU pressed for an all career workforce, the conversion of current PSEs to career status, and the elimination of the PSE category, except in limited circumstances. It presented evidence that PSEs were so poorly compensated that many of them were eligible for government safety net programs. The APWU also presented evidence of difficult working conditions frequently associated with the PSE category.

In addition to its concerns about PSE wages and working conditions, the APWU also contended that its agreement in 2010 to the creation of the non-career PSE category was in exchange for the Postal Service's agreement in the 2010 Jobs MOUs to provide additional work to the APWU bargaining unit. Since, APWU asserts, it has received little of the work it was promised under the Jobs MOUs, the PSE category should, like the promised benefits of the Jobs MOUs, be substantially scaled down if not eliminated.

The Postal Service, on the other hand, seeks to expand its use of PSEs. It disputed much of the evidence of PSEs being required to turn to government assistance programs for financial relief, as well as much of the APWU evidence of unfavorable PSE working conditions. To the contrary, the Postal Service pointed out that PSEs are better compensated than past non-career employees. They are, the Postal Service explained, also the first non-career employees to have a genuine path to career status. Section 3.E of the 2010 MOU Re: Postal Support Employees provides that whenever the Postal Service determines that it needs to fill vacancies with new career employees, it will

convert available and qualified PSEs on a seniority basis. More than 30,000 PSEs have been converted to career during the term of the past Agreement. Finally, the Postal Service pointed out that non-career employees, under different titles such as casuals and transitional employees, have performed APWU bargaining unit work since the 1970 passage of the Postal Reorganization Act, and that by doing so, they serve important workforce flexibility and labor-cost reduction needs of the Postal Service.

Despite the substantial evidence of the financial and working conditions hardships of many employees in the PSE category, as well as the APWU claim that it has not received the benefits for which it bargained in agreeing to the establishment of the PSE category, I am not persuaded that the PSE category should be eliminated and all current PSEs converted to career status. The value of a non-career workforce to the Postal Service in terms of workforce flexibility and labor cost control is amply shown by the uninterrupted continuation of a non-career workforce for nearly 50 years. Rather than eliminate PSEs, the Panel examined the justifications for their use separately in each of the APWU-represented crafts in order to determine whether, in a particular craft, those justifications warrant continuing the use of PSEs. To the extent the Panel authorizes continuation of the PSE category, it will also consider what alterations in PSE wages and working conditions are appropriate to address the concerns raised by the evidence presented, while at the same time giving due weight to the Postal Service's interests in workforce flexibility and cost control.⁴

⁴ The Union did not raise a PRA challenge to the Postal Service's need for workforce flexibility and cost control in determining the number of PSEs, their compensation and benefits, or their working conditions. Nor, I believe, could it successfully do so. The PRA is focused on compensation and benefits of career employees, not the protection of employees in the non-career work force. Once the parties have agreed on the use of a non-career work force, questions such as the number of employees in that work force, as well as their compensation,

A. Maintenance Craft

The only PSEs in the Maintenance Craft are in laborer-custodian positions. Because custodial assignments do not vary based on mail volume or customer demand, the need for flexibility in the scheduling of the laborer-custodial workforce is minimal, if not non-existent. Additionally, Congress, in order to ensure civilian career employment of veterans, mandated that custodian positions in the federal government be Veterans Preference Act set-aside positions. The result in the Postal Service has been that the laborer-custodian position has historically been a career job held by a higher-than-average percentage of preference eligible employees. Among Maintenance career employees, the APWU showed that over 42% are preference eligible, but among Maintenance PSEs, fewer than 19% are preference eligible. This noticeable difference strongly suggests, the APWU urged, that the hiring of PSEs to fill custodial jobs is having an effect, albeit unintended, of reducing the percentage of veterans in these positions.

Taking into account the lack of a demonstrated need for flexibility in the laborer-custodial workforce, together with the injurious effect of PSE status on the Postal Service's hiring and retention of veterans in set-aside custodian positions, I am awarding the elimination of the PSE category in the Maintenance Craft.

Furthermore, since the Maintenance Craft Jobs MOU, with its provisions for increasing the amount of work to employees in that craft, was clearly entered into by the Postal Service in exchange for its use of PSEs in the Maintenance Craft, the termination

benefits, and working conditions, would appear to be a function of balancing the Postal Service's interests in cost-control and workforce flexibility against the interests of the non-career workforce in fair and reasonable treatment. The parties' arguments about PSE numbers, compensation, benefits, and working conditions in this proceeding have focused primarily on those criteria, as has my decision.

of the PSE category in the Maintenance Craft equally calls for the termination of the Maintenance Craft Jobs MOU, which I am also awarding.

The Panel members and the parties, after being advised of my Award in this respect, provided detailed suggestions for the effective and efficient implementation of this Award.⁵ Those suggestions are contained in the following Award.

1. Within 60 days of the effective date of the Award, the Postal Service will convert “in-place” all current Maintenance Craft Postal Support Employees (PSEs) to career status, either to full-time regulars (FTRs) or part-time regulars (PTRs), consistent with the duty assignment the PSE currently works.
2. Upon completion of all conversions, the category of Postal Support Employees within the Maintenance Craft will cease to exist and references to the term “Maintenance Craft PSE” will be deleted from the National Agreement.
3. Maintenance Craft PSEs who have already served one full term as a PSE will not be required to serve a probationary period pursuant to Article 12, Section 1, after conversion to career.
4. The completed conversion of all Maintenance Craft PSEs to career status in the Maintenance Craft pursuant to this Award fully resolves all disputes as they relate to PSEs. Any such outstanding disputes, in any forum, shall be withdrawn.
5. The 2010 Maintenance Craft Jobs MOU shall terminate as of the effective date of this Award. Furthermore, the 2010 Maintenance Craft Jobs MOU may not be cited or used in any subsequent dispute resolution proceedings for any reason whatsoever. Any grievance or dispute resulting solely from the 2010 Maintenance Craft Jobs MOU shall be withdrawn. Disputes/grievances filed pre-dating the 2010 Maintenance Craft Jobs MOU, including but not limited to Q94C-4Q-C 98062563; Q00T-4Q-C 06082533; et. al, that were held as being related to the Maintenance Craft Jobs MOU will be released and processed in accordance with the National Agreement.

⁵ The Panel members and parties also provided suggestions for the effective and efficient implementation of many other aspects of the Award. It would extend this opinion unnecessarily, however, to acknowledge this assistance more than once.

B. Motor Vehicle Craft

There was undisputed evidence that the Postal Service frequently cannot hire PSE motor vehicle operators at the PSE rates provided for in the Agreement, but must pay them a premium above those rates. Indeed, over 70% of PSE drivers are paid at such “excepted” rates as authorized by the MOU Re: Postal Support Employees, Section 1.g. At times, these rates are even above the entry step rates for career employees. This, at least to some extent, weakens the Postal Service cost savings justification for the use of PSEs in the Motor Vehicle Craft. Also, the need for flexibility in the scheduling of the Motor Vehicle workforce is such that it can be accomplished within the career work force. In light of these factors, I shall order the conversion of all Motor Vehicle Service PSEs to career status, albeit with certain qualifications.

The first of these qualifications is based on evidence that there is some variability in the Motor Vehicle Craft workload, even if that variability is insufficient to warrant the use of PSEs. In order to enable the Postal Service to deal with the limited variability of the Motor Vehicle Craft workload, without going as far as authorizing the use of PSEs to do so, the Award shall provide that Motor Vehicle Craft PSEs shall be converted to either full-time regular status or part-time flexible status. The number of PTFs, will be limited, however, to 20% of the Motor Vehicle Craft workforce at an installation.⁶

The remaining issue is the continued viability of the Motor Vehicle Craft MOU, which provides for the use of PSEs. The Postal Service asserts that the overall purpose of that MOU was to increase the amount of Motor Vehicle Craft work in exchange for

⁶ That portion of my Award which authorizes the Postal Service to reinstate the PTF category subject to a 20% cap is designed to assist the Postal Service in dealing with both the elimination of PSEs in the Motor Vehicle Craft and the moratorium on the contracting out to HCRs of the PVS work performed by the Motor Vehicle Craft (see pages 30-32). The 20% cap is set out in Attachment 3, the MOU Re: HCR limitations.

the Postal Service's ability to use PSEs. To the extent that the Postal Service's authority to utilize PSEs in the Motor Vehicle Craft is significantly reduced, as it is by this Award, the Postal Service argues that its obligation to increase the amount of work to the Motor Vehicle Craft should be similarly reduced. This argument is persuasive, and I shall award the termination of Paragraphs 1, 3, and 4 of the Motor Vehicle Craft MOU.

Paragraph 2 of the Motor Vehicle Craft MOU is different from Paragraphs 1, 3, and 4. In the latter Paragraphs, the Postal Service agreed to increase the amount of work in the Motor Vehicle Craft, even if doing so was more costly to the Postal Service than having that work contracted out. Paragraph 2, however, provides for increased Motor Vehicle Craft work only if that work is likely or even certain to be less costly than contracting out. The first sub-paragraph of Paragraph 2 provides that 600 HCR routes will be converted to PVS routes, but also provides that up to 75% of the duty assignments created by that conversion may be assigned to PSEs, a provision likely to make the converted PVS routes no more costly than contracted out HCR routes. In the second sub-paragraph of Paragraph 2, the Postal Service is required to convert existing HCR routes to PVS only if the APWU can demonstrate that doing so would be less costly than continuing to contract out (see Paragraph 2.c.), a stipulation likely to lead to APWU proposals for a mixed work force, composed partly of PSEs and partly of career employees. Both sub-paragraphs of Paragraph 2 may thus be characterized as win-win; more work for Motor Vehicle Craft employees, lower costs to the Postal Service. Achieving these win-win outcomes appears to require, however, the use of PSEs. In order that the parties remain free to benefit from Paragraph 2 of the Motor Vehicle Craft

Jobs MOU, I shall award the continuation of that Paragraph, as well as a continuation of the possible future use of PSEs in the Motor Vehicle Craft.

The Award with respect to Motor Vehicle Craft PSEs is as follows:

1. The Postal Service will convert all Motor Vehicle Craft Postal Support Employees (PSEs) to career status. In the future, PSEs will be permitted in the craft only when created in accordance with Paragraph 2 in the 2010 Motor Vehicle Craft Jobs MOU.
2. The conversions to career status will occur as soon as is reasonably practicable, but no later than sixty days from the effective date of this Award.
3. Motor Vehicle Craft PSEs will be converted to career status as either full-time regulars (FTRs) or part-time flexibles (PTFs).
4. Motor Vehicle Craft PSEs who have served one full term as PSEs will not be required to serve a probationary period as required by Article 12, Section 1, after conversion to career.
5. Paragraphs 1, 3, and 4 of the 2010 Motor Vehicle Craft Jobs MOU shall terminate as of the date of this Award. The terminated provisions of the Motor Vehicle Craft Jobs MOU may not be cited or used in any subsequent dispute resolution proceedings for any reason whatsoever. Any grievance or dispute resulting solely from Numbered Paragraphs 1, 3, and 4 of the Motor Vehicle Craft Jobs MOU shall be withdrawn. Disputes/grievances filed pre-dating the 2010 Motor Vehicle Craft Jobs MOU that were held as being related to the Motor Vehicle Craft Jobs MOU will be released and processed in accordance with the 2015 National Agreement.

C. Clerk Craft

The situation for clerks is notably different from that of the other crafts. The testimony of Postal Operations officials on the daily, weekly, monthly and seasonal variability of mail processing volume demonstrates the need for continuing flexibility in that craft. In addition, the Postal Service demonstrated the need for PSEs as it expands its business in the competitive packages and parcels market. The volume of package processing is constantly changing, and shippers' demands, different from those of

traditional mailers, typically require the use of large numbers of employees for short windows of time, a requirement that is difficult to accommodate with career schedules.

Moreover, I find support for the need for lower-cost PSEs in mail processing and retail from the evidence of what some of the Postal Service's competitors pay in their mail processing and retail functions. This evidence included examples of pay rates for UPS and FedEx mail processing and retail personnel that were below PSE rates. While the APWU vigorously contested the competence of this evidence and the comparability of these positions to PSE clerks, such evidence is relevant at least to establish generally what competitors pay compared to the Postal Service to perform analogous business functions.

It is clear that one of the primary purposes for the voluntarily agreed-to creation of the PSE category in the 2010 Agreement was to reduce overall postal labor costs. While the APWU contends that its 2010 acceptance of the PSE category was driven by the Postal Service's dire financial situation at that time, any consideration of a reduction in the number of PSEs must still take into account the substantial increase in Postal Service costs that would result from such a reduction.

Given these considerations, I will not award a reduction in the PSE cap in the Clerk Craft. Nor, on the other hand, will I grant the Postal Service's request for an increase in the Clerk Craft PSE cap. In this respect, I rely heavily upon the impassioned testimony of the PSEs relating to the problems they face as a result of receiving significantly lower wages than career employees, as well as the lack of stability from which they suffer as a result of not having fixed work schedules or guaranteed continued employment. I also note the relatively high 29% quit rate among PSEs

compared with 5% for new career employees which demonstrates in stark terms the dissatisfaction of many PSEs with postal employment. These difficulties are insufficient to warrant eliminating or reducing the proportion of PSEs in the Clerk Craft, but they do justify my unwillingness to increase that proportion.

There is, however, much that can be done to improve the situation of the Clerk Craft PSEs without impinging on the legitimate interests of the Postal Service. It is clear from the testimony of the PSEs that a major factor for many of them in accepting PSE employment was their expectation of achieving career status. The evidence shows, however, that PSEs now remain in that status for an average of 1.8 years before being converted to career. Furthermore, while more than 30,000 PSEs were converted during the term of the 2010 Agreement, some PSEs did not receive an opportunity to convert to career status for considerably longer than 1.8 years. This was true even at the larger postal facilities where one would expect that conversion opportunities would come more regularly. These long-service PSEs are truly career employees in waiting, and retaining the experience and commitment of more of them in the career ranks would be beneficial to both them and the Postal Service. While there are no objective criteria for determining the amount of time a PSE clerk should remain in that category before achieving career status, I shall direct conversion for all Clerk Craft PSEs hired prior to 2.5 years of the date of this Award. Inasmuch as it would be impractical to require such conversion in those postal facilities too small to accommodate additional employees with career status, this mandatory conversion will be limited to Clerk Craft PSEs in 200 man year or above offices.⁷

⁷ There are two Tentative Agreements included in Attachment 1 regarding Clerk Craft PSEs that may facilitate additional PSE conversions to career status.

This conversion is ordered as a one-time event. The Postal Service may, however, find it feasible in the future to evaluate the possibility of another one-time conversion. Accordingly, I shall direct the parties to meet within one year of the date of this Award to discuss the possibility of another one-time conversion of Clerk Craft PSEs to career status. This Award compels only that the parties consider a conversion, not that they agree to it.

The Award regarding Clerk Craft PSEs is the following:

1. All Clerk Craft PSEs in 200 Man Year offices with a relative standing date prior to 2.5 years from the effective date of this Award shall be converted to career status.
2. The conversion to career status will occur as soon as administratively practicable, but no later than sixty days from the date of issuance of this Award.
3. Clerk Craft PSEs converted to career status under this provision will not be required to serve a probationary period.
4. After one year from the effective date of this Award, the parties will evaluate the possibility of another one-time conversion of Clerk Craft PSEs.

D. PSE Wages and Benefits⁸

1. Wages

The Postal Service proposed that PSEs receive the same general wage increases as career employees. The APWU proposed that PSEs receive wage increases that would raise them to the entry level pay for career employees.

⁸ During the course of these proceedings, the parties reached agreement on amending Article 21 and the PSE MOU to expand the health insurance options for PSEs. Although discussion of that agreement is not necessary to include in this Award, it is an improvement for PSEs that has been considered as part of the overall evidence of PSE wages and benefits. This agreement is included in the list of Memoranda of Understanding in Attachment 1.

It would be wholly inconsistent with the cost-saving purpose of the PSE work force to raise PSE wages to career levels, even at the entry rate. I note, however, that in the 2010 Agreement, PSEs received increases of 1%, 1% and 1.5% in addition to the general increases. Also, the recent agreement between the Postal Service and the NRLCA provided that the non-career workforce should receive 1% per year increases in addition to the general increases. I shall follow this general pattern, awarding PSEs the same general wage increase awarded to career employees, plus an additional 1% per year increase.

The APWU further contended that even if the PSE rate increase formula were continued from the 2010 Agreement, difficult PSE working conditions and lower pay relative to non-career employees in other bargaining units support a PSE hourly increase of at least \$1.00 per hour. The APWU further proposed that these increases be spread over the life of the Agreement and be scheduled at times separate from other rate increases. The Postal Service believes that no further increases in PSE wages are justified.

While I do not grant per hour wage increases as high as the APWU demands, a limited increase of \$0.50 per hour, spread over the life of the Agreement, is warranted.

Accordingly, the wage increases for PSEs shall be:

- PSEs will receive annual 1% wage increases in addition to the general wage increases provided above for career employees (i.e., 2.2%, 2.3% and 2.3%).
- PSEs will also receive wage increases in addition to the general and annual increases above as follows:
 - \$0.09 per hour retroactive to November 14, 2015
 - \$0.20 per hour effective May 13, 2017
 - \$0.21 per hour effective May 26, 2018

2. Sick Leave and Holiday Leave Pay

The APWU proposed adding both sick leave and holiday leave pay to PSE benefits. The Postal Service opposes both proposals.

With respect to the APWU sick leave proposal, the Postal Service points out that PSEs already receive annual leave that can be taken for the same purposes as sick leave. To be sure, PSE annual leave is no more than half the combined total of annual and sick leave that career employees receive. Nonetheless, I have determined, in light of the annual leave already provided to PSEs, as well as other provisions of this Award that improve PSE compensation and working conditions, not to add a separate category of PSE sick leave.

I view the APWU proposal for holiday leave pay differently. PSEs are not paid when their office is closed on a holiday. Nor do they receive any additional pay when they do work holidays, as the evidence showed they are frequently required to do in mail processing. While this is understandable in a seniority-based work allocation system in which career employees can opt to forego holiday work schedules, it is common in labor agreements to provide additional pay to employees required to work on holidays. It is also common to protect employees against loss of pay when their workplace is closed for a holiday.

The APWU seeks to provide PSEs with the same ten paid holidays afforded to career employees. Granting PSEs the full number of holidays enjoyed by career employees would, however, be a significant departure from the practice of not providing any holiday leave pay to non-career employees, and the Postal Service understandably objects given its interest in lowering costs. Nonetheless, in recognition of the legitimate

demand of the APWU for some PSE holiday benefits, I shall award PSEs holiday leave pay for the following six major holidays, subject to the eligibility guidelines contained in Article 11.2:

New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

The Postal Service asserts that because PSEs work different numbers of hours per day, awarding eight hours of holiday leave pay to all PSEs on each of the above holidays would be inappropriate. In general, however, PSE work hours typically have a relationship to the size of the office in which they work, with PSEs in larger offices working more hours than PSEs in smaller offices. Under these circumstances, I award PSE holiday pay as follows:

200 Man Year offices – 8 hours
POStPlan offices – 4 hours
All other offices – 6 hours

The APWU further proposed that PSEs who work on an awarded holiday have the option to have their hours credited to annual leave in lieu of holiday pay. This is an option currently available to career employees, and there is no reason not to extend it to PSEs. Accordingly, PSEs who work on a holiday may, at their option, elect to have their annual leave balance credited in lieu of receiving holiday leave pay.

To summarize, the Award with respect to PSE holiday leave pay is:

- PSEs will receive holiday leave pay subject to eligibility guidelines in Article 11.2 for the following six holidays:
 - New Year's Day
 - Memorial Day
 - Independence Day
 - Labor Day
 - Thanksgiving Day
 - Christmas Day

- The number of hours of holiday leave pay that a PSE receives for each of the above holidays will be determined by the size of the office in which he/she works:
 - 200 Man Year offices 8 hours
 - POSTPlan offices 4 hours
 - All other offices 6 hours

- PSEs who work on a holiday may, at their option, elect to have their annual leave balance credited with 4, 6, or 8 hours (as applicable) of annual leave in lieu of receiving holiday leave pay.

V. NON-ECONOMIC ISSUES

During collective bargaining, the parties entered into tentative agreements (TAs) on non-economic issues, each TA being contingent upon an overall National Agreement being reached. Since my Award, together with those portions of the 2010 Agreement that neither party sought to change, constitutes a National Agreement, such TAs are now final and are incorporated into this Award. They are listed in Attachment 1.

Other non-economic issues were presented to the Panel for decision and award. Evidence and argument on these issues were presented at the hearing, and some were the subject of supplemental submissions after the close of the hearing. Each has been fully considered by the Panel in executive session.

A. Layoff Protection

Job security was one of the issues on which the parties reached impasse. The Union sought to maintain the job security provisions contained in Article 6 and to renew the expired MOU on Layoff Protection; the Postal Service sought to relax those job security provisions.

Layoffs are a disruptive means of decreasing the employee complement, and the Postal Service has been effective in reducing complement when necessary to do so by

managing attrition, rather than using layoffs. Attrition will continue to be available to the Postal Service as a means of reducing complement since more than 50% of career APWU employees are currently retirement-eligible. Moreover, PSEs, who do not enjoy layoff protection provide an additional means of reducing the number of employees without the need for layoffs of career employees. Finally, the Postal Service did not demonstrate that its work hour projections during the term of this next contract are so dire that layoffs of career employees are likely to be necessary.

Under these circumstances, there is no justification for amending Article 6 to reduce employee protection against layoffs and I award no such amendments. To the contrary, I am awarding an updated version of the MOU on Layoff Protection that extends the termination date of that MOU to September 20, 2018. The specific Award language with respect to the MOU is contained in Attachment 2.

B. Subcontracting Issues

1. Highway Contract Route (HCR) Limitations

The contracting out of PVS work to HCR contractors has been a continual source of conflict between APWU and the Postal Service. The 2010 Agreement dealt extensively with this issue, but the implementation of that Agreement has been accompanied by disagreement, including several national-level arbitrations.

The Union proposed a moratorium through the expiration of the 2015 National Agreement that would bar any new subcontracting of mail transportation in offices where Postal Vehicle Service (PVS) is currently utilized. The Union also asks the Panel to require the Postal Service to participate in pilot programs testing scheduling and work rule modifications for PVS drivers. The purpose of the Union's proposals, it asserts, is

to allow the parties to work through issues surrounding the contracting out of PVS work, to discuss and test potential work rule modifications that might make it more beneficial to retain work in-house, and to otherwise consider options to contracting out that might serve the interests of both parties. A mutually satisfactory resolution of this thorny issue, the Union points out, would serve the interests of both APWU and the Postal Service.

The Postal Service asserts that it has been and will continue to be a willing partner in joint efforts to resolve the ongoing conflict about contracting out of PVS work. It asserts, however, that such efforts can continue without the necessity of a moratorium on contracting out. Further, according to the Postal Service, a moratorium would inappropriately interfere with existing HCR contracts, as well as reduce needed operational flexibility.

Although the Postal Service arguments are not without force, I am persuaded that reaching a mutually satisfactory agreement on the contracting out of PVS work is more likely to be achieved if it is accompanied by a moratorium on such contracting out. In the absence of such a moratorium, contracting out will continue, and will be accompanied by continued disputes about the propriety of contracting out. These individual disputes are likely to re-ignite the emotions surrounding contracting out. They will thus interfere with the parties' efforts to find a global solution to the contracting out issue. Efforts to resolve individual contracting out issues will also divert time and resources from the effort to find a broader resolution of the problem. Accordingly, I shall award the moratorium the Union seeks.⁹

⁹ The moratorium itself does not resolve any pending disputes about contracting out, nor will it affect the results of already-arbitrated disputes.

In recognition of the Postal Service's legitimate concerns, I will, however, direct certain exceptions to the moratorium, as well as additional provisions to increase the scheduling flexibility of PVS drivers and the efficiency of postal operations during the moratorium. The moratorium will apply only to "new" HCR contracting. It will not apply to existing HCR contracts or their renewal, or to reasonable adjustments to those contracts to account for additional service points that are added because of service standard changes, changes in service areas, and/or the emergent business needs of postal customers. The Postal Service is also granted Part-Time Flexible (PTF) positions up to 20% of the career Motor Vehicle Craft at an installation to address its flexibility concerns created by both the moratorium and the conversion of all current Motor Vehicle Craft PSEs to career. The Postal Service must, however, provide these PTFs with a minimum schedule of twenty-four (24) hours per pay period. The specific Award language is at Attachment 3.¹⁰

2. Retail

The APWU also proposes that a moratorium be imposed on the Postal Service's primary retail subcontracting initiatives - Approved Shipper Program, Contract Postal Units (CPU), and Village Post Offices (VPO) – for the term of the 2015 Agreement.¹¹ During the moratorium, the Union further proposes that the parties be directed to engage in discussions over the future of retail in the Postal Service. The Postal Service is agreeable to engaging in such discussions but opposes the moratorium.

¹⁰ During Executive Session, I advised the parties of my broad ruling on this issue, as well as the issues that follow, and instructed them to develop MOUs to implement my holdings. The MOUs attached to this Award are the product of those negotiations.

¹¹ The Postal Service disagrees with the APWU's characterization of these contractual arrangements as contracting out or subcontracting of bargaining unit work. I express no opinion on this issue.

For reasons similar to those which led me to grant the Union's request for a moratorium on the contracting out of PVS work, I grant the request for a moratorium on the specified retail contracting out initiatives. During the term of the 2010 Agreement, Postal Service efforts to outsource retail operations led to widespread conflict. Placing a temporary moratorium on these initiatives will create a climate more likely to lead to a mutually satisfactory resolution than will be present if new disputes are constantly arising.

Furthermore, the conditions that I place on the moratorium address the Postal Service's primary concerns about its imposition. Initially, I do not award the moratorium for the term on the 2015 Agreement, but limit it to one year from the date of this Award, unless extended by mutual agreement of the parties. Moreover, while the moratorium prohibits the Postal Service from entering into contractual agreements, the APWU is directed not to engage in any acts intended to prevent the Postal Service from successfully establishing or maintaining business relationships with potential or existing program customers for Approved Shipper, CPU or VPO programs. Specific Award language is contained in Attachment 4.¹²

3. Article 32 Exceptions for Specific Maintenance Work Tasks

The Postal Service proposes that Article 32 be amended to provide an exception to its obligation to comply with Article 32.1.A when contracting out a limited type of work. It contends that the work involved, which is set out in Attachment 5, is local in nature, and generally beyond the ability or capacity of local maintenance personnel to perform.

¹² I understand that the parties have a long-running dispute regarding Staples as a Postal Service retail partner. In light of that dispute, I am referring this part of this Award to the parties to assess how it will apply to Staples.

The Postal Service further asserts that the contracting out of such work frequently leads to grievances challenging its compliance with Article 32.1.A., and that the cost to the parties of resolving such grievances through the contractual dispute-resolution process is frequently greater than the value of the work at issue. Accordingly, the Postal Service asks that these matters be excepted from Article 32.1.A, and that it be allowed to contract out this work without the need to justify its doing so.

Although the APWU opposes this proposal, I have concluded that it should be granted. The work that the Postal Service seeks to exempt from Article 32.1.A is limited in scope and does not appear to be work normally or frequently performed by bargaining unit personnel. Furthermore, to the extent that the cost of resolving disputes about the contracting out of the disputed work is often greater than the amount in dispute, the interests of both the Postal Service and the Union in conserving their financial resources to deal with more significant disputes is furthered by excepting this limited category of work from Article 32.1.A. Certain caveats to these exceptions, suggested by the APWU, will also be awarded. Specific Award language is set out in Attachment 5.

C. Plant Consolidation

Faced with a declining volume of First Class mail and little hope of a return to previous levels, the Postal Service began planning for widespread plant consolidations in 2011. After completing Area Mail Processing (AMP) feasibility studies in 2012, implementation of the first phase of the Postal Service consolidation plan began in the summer of 2012 and continued through February 2014. Phase Two of the consolidation plan began in January 2015, but was put on an indefinite hold by the Postal Service in

May 2015. This hold was to be in place until at least April 2016. The Postal Service has publicly stated that prior to the resumption of plant consolidations, feasibility studies will be updated with current data.

It is undisputed that Postal Service plant consolidations have led to many employees being excessed and involuntarily reassigned. It is similarly undisputed that the Union has responded to these plant consolidations with sharp criticisms of their scope, justification, and impact on mail delivery.

The Union here proposes a moratorium for the term of the 2015 Agreement on further plant closings and consolidations. It also asks the Panel to direct the Postal Service to perform new feasibility studies prior to implementation of any additional consolidations. It states:

. . . As acknowledged by postal witnesses during the hearings, the negative operational and service effects of the earlier consolidations are still being felt and managed by the Postal Service. The significant staffing changes and potential cost-savings from the 2015 National Agreement, as well as likely changes in the contracts for the other three major postal unions, are certain to lead to further and new effects on costs and operations. The Postal Service should manage one set of effects at a time – first improve service from the original consolidations and then apply the new labor contracts and reassess its operations in the existing plants. A measured approach to consolidations that is responsive to significant unanticipated changes occurring since those consolidations were first planned offers the greatest assurance that future consolidations, if any, have minimal impact. Accordingly, an extension of the Postal Service's own moratorium is reasonable.

An interest arbitration panel needs to tread carefully in interjecting itself into operational matters, particularly on matters as central to management rights as deciding what kind and how much work is to be accomplished at particular locations. This

situation, however, genuinely seems to be unique. The pause in consolidation activity was announced by the Postal Service in May 2015, and was to last until at least April 2016. That date that has already passed without management having announced a date on which it wishes to begin updated feasibility studies, much less recommence consolidation activity. Indeed, in view of the time needed to complete such feasibility studies, it is unclear whether, even absent a moratorium, the Postal Service could reasonably anticipate resuming plant consolidation activity in the near future.

As a result, awarding a limited moratorium for a period less than requested by the Union, but sufficient to enable the parties to engage in meaningful discussion of future plant consolidations, would serve the interest of both parties in a carefully considered approach to this important issue. It would also do little more than formalize a delay in plant consolidations already put in place by the Postal Service's indefinite hold on further consolidations. Similarly, granting the Union's request that the Postal Service conduct updated feasibility studies before proceeding with further consolidations is essentially a restatement of what the Postal Service has already announced that it will do.

Under these circumstances, I shall award that the existing moratorium on further plant consolidations be extended to April 2017, one year from the expiration of the Postal Service's self-imposed moratorium, nine months from the issue of this Award. The expiration date of the moratorium should not, however, be viewed as a start date for further consolidations. Although the Postal Service will be free at that time of any constraints in this Award on such consolidations, hopefully time and some of the other initiatives in this Award will lead the parties to agree on if and when further plant

closings or consolidations should occur. If plant consolidations do resume, I shall also direct the Postal Service to perform new feasibility studies prior to implementation of such consolidations. Specific Award language appears in Attachment 6.

D. Non-Traditional Full-Time Duty Assignments

Non-traditional full-time (NTFT) duty assignments were created as part of the 2010 Agreement. A central purpose of these duty assignments was to avoid the excessing of full-time employees when a 40-hour assignment is not needed, but a sizeable number of work hours remain. Accordingly, NTFT duty assignments are posted for bid by full-time employees, but may consist of weekly work hours ranging from 30 to 48 hours. NTFT duty assignments also provided additional workforce flexibility for the Postal Service at a time when the Part-Time Flexibles (PTF) in larger offices and clerk Part-Time Regular (PTR) schedules were eliminated in the 2010 Agreement.

The APWU demanded the elimination of all NTFT duty assignments other than in POSTPlan offices or when the parties mutually agreed, such as when they agree to apply the existing Modified Work Week MOU. The Postal Service objected to eliminating NTFTs, but acknowledged that NTFT duty assignments had not been particularly successful in Function 1. NTFT duty assignments have not been widely used by the Postal Service or employees, and when used have led to difficult scheduling and reassignment issues. Moreover, the Office of Personnel Management has decided that NTFT duty assignments will not be treated as full-time for purposes of calculating retirement benefits. Finally, the Postal Service asserts that the overtime rules regarding NTFTs are unreasonably burdensome.

After weighing the evidence, I award the elimination of NTFT duty assignments in Function 1 (Mail Processing) and Function 3A (Motor Vehicle). NTFT duty assignments will be capped and controlled in Function 4 (Retail), and will not apply to POStPlan offices because the parties have agreed to treat Function 4 POStPlan NTFT duty assignments differently. I also award a change in the overtime rules to address the Postal Service's concerns about the current rules. In view of the complexity of the NTFT rules, the parties were directed to draft a Memorandum of Understanding, consistent with the above conclusions, to implement this Award. That MOU can be found at Attachment 7.



Stephen B. Goldberg
Neutral Arbitrator

R. A. Dufek

Robert A. Dufek
USPS Arbitrator



Phillip Tabbita
APWU Arbitrator

Entered: July 8, 2016

ATTACHMENT 1

The parties reached the following tentative agreements to be included in the 2015 Agreement. All other provisions of the 2010 Agreement not altered by the following or the terms of the Award remain in effect.

- JCIM Article 12 (Area/Regional Notification)
- Article 14.3.A Safety and Ergonomics Committee Expenditures
- Article 15.3 Mediation
- Article 28.4.C Collection Procedures
- Article 37.5.D PSE Career Opportunity
- Articles 12.5.C.b(6) and 37.3.B.1
- JCIM Article 38.5.B PER
- JCIM Article 38.I.1 Excess Employees
- Article 38.3.K.2, 3, 4 Excess Employees
- Article 38.7 ET-11
- Article 38.3.K.6 Excess Employees
- Article 38.3.K.2 Excess Employees
- Article 38.2.E Service Seniority
- JCIM Article 38.5.A Preferred Assignment Registers
- Article 38.3.K Retreat Rights
- JCIM 38.5.B.7 Order for Filling Vacant Maintenance Positions
- Article 39.1.H Multi-Craft Positions
- Article 39.2.A.9 Non-Bargaining Unit Detail
- Article 39.1.I Vacation Scheduling
- Article 39.1.C Occupational Group
- Article 39.2.A NTFT Duty Assignment
- Article 39.3 VMAs
- PSE SSSA Uniforms
- MOU re: Excessing Clerk Craft Without Regard to Levels
- MOU re: Assignment of PTF Hub Clerks
- MOU re: Electronics Technician PS-11
- MOU re: District Safety Committees Pilot Program
- MOU re: Leave Sharing
- MOU re: eReassign Task Force
- MOU re: Article 19
- MOU re: Residual Vacancies, Clerk Craft
- MOU re: Purge of Warning Letters
- MOU re: Enhanced and Expanded Services
- MOU re: Bereavement Leave
- MOU re: Discipline Task Force

- MOU re: PSE MOU - Health Benefits Continuation of MOU re: Minimizing Excessing
- Status of MOUs and Letters of Intent
- MOU re: Peak Season Exception Periods
- MOU re: Article 21.1

ATTACHMENT 2

The Memorandum of Understanding Re: Layoff Protection is updated as follows:

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE
UNITED STATES POSTAL SERVICE
AND THE
AMERICAN POSTAL WORKERS UNION, AFL-CIO**

Re: Layoff Protection

Each employee who is employed in the regular work force as of **July 8, 2016** and who has not acquired the protection provided under Article 6 shall be protected henceforth against any involuntary layoff or force reduction during the term of this Agreement. It is the intent of this Memorandum of Understanding to provide job security to each such employee during the term of this Agreement; however, in the event Congress repeals or significantly relaxes the Private Express Statutes this Memorandum shall expire upon the enactment of such legislation. In addition, nothing in this Memorandum of Understanding shall diminish the rights of any bargaining-unit employees under Article 6.

Since this Memorandum of Understanding is being entered into on a nonprecedential basis, it shall terminate for all purposes at midnight, **September 20, 2018**, and may not be cited or used in any subsequent dispute resolution proceedings.

ATTACHMENT 3

*The following Memorandum of Understanding Re: Highway Contract Route (HCR)
Limitation is added to the 2015 Agreement:*

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE
UNITED STATES POSTAL SERVICE
AND THE
AMERICAN POSTAL WORKERS UNION, AFL-CIO**

Re: Highway Contract Route (HCR) Limitation

1. For the term of the 2015 National Agreement there will be a moratorium on any new subcontracting of mail transportation by Highway Contract Route (HCR) pursuant to Article 32 in offices where Postal Vehicle Service (PVS) drivers are currently employed.
2. Specifically included in the moratorium is the nationwide subcontracting of all Postal Vehicle Service pursuant to Article 32.1.B and any "mode conversion" of PVS to HCR at a specific facility, and any new conversions from PVS to HCR.
3. Specifically excluded from the moratorium are those HCR contracts currently in effect. The renewal of these contracts shall be in accordance with the provisions of the National Agreement. The renewal of contracts may also include adjustments to existing contracts to account for additional service points that are added in consideration of service standard changes, changes in service areas, and/or emergent business needs of postal customers.
4. For the term of the 2015 National Agreement, the following revisions to Article 8 of the National Agreement will be applicable to full-time PVS driver duty assignments:
 - a. Normally duty assignments will be eight (8) hours within (9) hours.
 - b. A work day of eight (8) hours within (10) hours may be appropriate when 8 hour schedules contain report to dispatcher time or idle time, or where an additional trip is not possible due to time restraints in the middle or nearing the end of tour.
 - c. Normally work schedules will have consecutive days off. When operationally necessary, up to 20% split days off, by installation, are permitted.

5. The parties will develop a pilot program in no more than 3 sites, jointly selected by the parties, to study the feasibility of drivers performing other work during down time between runs. After first looking for other work in the Motor Vehicle Craft, any other APWU work may be assigned.
6. The parties will implement a dynamic routing pilot in Louisville, KY and Tacoma, WA to commence within one year after the effective date of the 2015 National Agreement and last for no less than one year. The pilot program will consider the incorporation of HCR runs or segments of runs into the dynamic routing pilots.
7. Part-Time Flexible (PTF) positions will be capped at twenty (20%) of the Motor Vehicle Craft complement by installation. The rounding up rule of .5 shall apply.
8. PTF positions established in the Motor Vehicle Craft will be guaranteed a minimum work schedule of twenty-four (24) hours per pay period.
9. Any changes to current staffing at facilities caused by application of the terms in Paragraph 4, above, including the reclassification and/or reposting of duty assignments pursuant to Article 39 will be undertaken as soon as practicable but no later than 120 days after the effective date of the 2015 National Agreement.

ATTACHMENT 4

The following Memorandum of Understanding Re: Retail is added to the 2015 Agreement:

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE
UNITED STATES POSTAL SERVICE
AND THE
AMERICAN POSTAL WORKERS UNION, AFL-CIO**

Re: Retail

1. For a twelve month period of time commencing on the effective date of the 2015 National Agreement, the parties will enter into discussions over the "future of retail" in the Postal Service. Each party shall appoint its respective representatives for discussion meetings. The twelve month period of time referenced in this paragraph may be extended upon mutual agreement of the parties.
2. A twelve month moratorium, commencing on the effective date of the 2015 National Agreement, will be imposed on the "Approved Shipper Program", Contract Postal Units (CPUs) and Village Post Offices (VPOs). While the moratorium is in effect, the Postal Service may not enter into contractual agreements on any of these three programs.
3. The APWU shall not engage in any acts intended to prevent the Postal Service from successfully establishing or maintaining business relationships with potential or existing Approved Shippers, VPO or CPU program customers for a twelve month period of time commencing with the effective date of the 2015 National Agreement.
4. If either side believes the other party is not in compliance with this MOU, a complaint may be brought through the ADRP process for resolution.
5. Nothing in this MOU alters the Postal Service's responsibilities regarding the MOU re: Contract Postal Units.

ATTACHMENT 5

The following Memorandum of Understanding Re: Article 32 Exceptions is added to the 2015 Agreement:

MEMORANDUM OF UNDERSTANDING BETWEEN THE UNITED STATES POSTAL SERVICE AND THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

Re: Article 32 Exceptions

Article 32.1.A does not apply to this list of work items below. If other work is being combined with a work item from this list it is understood that the provisions of Article 32.1.A may be applicable to the other work.

This list of exceptions shall not preclude the Postal Service from assigning this work to the bargaining unit. This list of items below does not prejudice either party from contending Article 32.1 does or does not apply to the work because of its exclusion from the list below.

1. Septic (sewer) tank work and outflow to leach (drain) field.
2. Exterior trenching or excavation with (driven) heavy equipment related to structural repair and utilities work outside the building.
3. Underground Storage Tank work.
4. Gasoline, oil, diesel dispensing equipment work except for preventative maintenance, repair or replacement of hoses and nozzles.
5. Initial installation or total replacement of irrigation systems.
6. Replacement of roof top mounted chiller unit rated over 40 tons.
7. Roof gutter replacement, including downspout
8. Complete roof replacement.
9. Laying new asphalt and seal coating over 25,000 square feet.
10. Concrete work (site preparation, framing, placing, etc.) in excess of 4 yards concrete.
11. Work involving Class I or Class II Asbestos Containing Building Materials (including PACBM).
12. Electrical work involving 400 AMP or greater.
13. Escalator work.

14. Building security systems work. Does not include gates, doors, mag locks, CCTV and other physical security components.
15. Mold abatement.
16. Animal or pest control.

ATTACHMENT 6

The following Memorandum of Understanding Re: Plant Consolidations is added to the 2015 Agreement:

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE
UNITED STATES POSTAL SERVICE
AND THE
AMERICAN POSTAL WORKERS UNION, AFL-CIO**

Re: Plant Consolidations

The Postal Service will extend its moratorium on plant consolidations to April 2017. The Postal Service will conduct AMP studies prior to implementing any of the plant consolidations associated with completing Phase II of its consolidation strategy.

ATTACHMENT 7

The following Memorandum of Understanding Re: Non-Traditional Full-Time (NTFT) Duty Assignments is added to the 2015 Agreement:

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE
UNITED STATES POSTAL SERVICE
AND THE
AMERICAN POSTAL WORKERS UNION, AFL-CIO**

Re: Non-Traditional Full-Time (NTFT) Duty Assignments

The following rules shall apply concerning Non-Traditional Full-Time (NTFT) duty assignments:

1. NTFT duty assignments will be eliminated in Function 1 and Function 3A. Current Function 1 and 3A NTFT duty assignments will be reposted as traditional full-time duty assignments as soon as reasonably practicable but not later than 120 days of the effective date of the 2015 National Agreement. There will be no NTFT duty assignments in Function 3b (Maintenance). The "Modified Work Week" Memorandum of Understanding is in full force and effect and Local parties may mutually agree to maintain four day, ten hour work weeks currently in place as well as apply the MOU to future duty assignments.
2. The parties at the national level will explore future possibilities of allowing NTFT duty assignments by mutual agreement at the local level and the parameters that local parties can bring to such consideration.
3. In Function 4, clerk NTFT duty assignments are limited nationally to eight (8) percent of all Function 4 career clerks, minus the POSStPlan office career complement. Function 4 NTFT duty assignments created in POSStPlan offices are excluded from the cap calculations.
4. In Function 4, in offices with no employees working in NTFT duty assignments, at least 25% of employees will have consecutive days off. However, if there are employees working in NTFT duty assignments, and a NTFT schedule has 3 or more scheduled days off, at least 2 must be consecutive. Where operationally necessary Function 4 NTFT duty assignments of six (6) days a week may be utilized in Level 22 and below offices that have a complement of seven clerks or less. Where operationally necessary, Function 4 NTFT duty assignments of six (6) days a week are permitted in Finance Units associated with Level 22 and below offices if the Finance Unit has a dedicated complement of seven or less clerks. In Finance Units associated with offices above Level 22, Function 4 NTFT duty assignments of six (6)

days a week that currently exist shall be permitted to continue until vacated by the incumbent or modified by mutual agreement at the local level.

5. Non-traditional full-time assignments will have no more than a 1-hour lunch. Exception: in Post Offices (Level 20 and below) where necessary to accommodate the conversion of PTF's to full-time status, split shifts will be permissible.
6. No Clerk or MVS employee who has a full-time regular work schedule of 40 hours a week will be involuntarily reassigned to occupy a NTFT duty assignment of less than 40 hours a week. However, such employees may be reassigned to occupy a NTFT duty assignment of 40-44 hours a week, so long as those assignments have at least two (2) scheduled off days, with no scheduled work days of less than six (6) hours or more than ten (10) hours. All other employees, including current PTRs, PTFs, and any career employees hired after the effective date of the 2015 Agreement, may be assigned to any residual NTFT duty assignment in accordance with Articles 37 or 39, respectively.
7. Full-time career clerk craft and motor vehicle craft employees who are not on the Overtime Desired List and are in the same facility with employees working in NTFT duty assignments of less than 40 hours in the same Functional area and overtime section(s), as defined in the Local Memorandum of Understanding, will not be required to work overtime except in an emergency, as defined in Article 3, Section F.
8. Part-Time Flexible (PTF) employees may work in Function 4 offices Level 20 and below. Offices, Level 20 and below, remain subject to the Article 7.3.B obligations to maximize the number of full-time employees and minimize the number of part-time flexible employees who have no fixed work schedules.
9. Employees occupying FTR duty assignments (traditional and NTFT) in postal installations which have 200 or more man years of employment in the regular work force, career employees in mail processing operations, transportation (except as provided for under Paragraph 4 of the MOU Re: Highway Contract Route (HCR) Limitation [Attachment 3]) and vehicle maintenance facility operations will have consecutive days off, unless otherwise agreed to by the parties at the local level. For employees occupying NTFT duty assignments, if the NTFT schedule has three (3) or more scheduled days off, at least two (2) must be consecutive.
10. NTFT assignments of more than nine (9) hours in a service day shall include a 3rd break excluding lunch.
11. These NTFT employees will normally work the number of hours (daily and/or weekly) identified in their bid assignment, except in an emergency. These employees are entitled to out of schedule premium for hours worked outside their normal schedule.

12. Within the 8% cap (see paragraph 3), Full-Time Flexible Clerk Craft non-traditional assignments (10% of all full time assignments in an installation, but at least one (1) in any installation) may be created and utilized in retail (Function 4) operations to cover vacancies and absences subject to negotiated rules. The start times and off-days of flexible non-traditional full-time assignments may be changed from week-to-week without out-of-schedule obligations, subject to a Wednesday of the prior week notification. Weekly and daily guarantees will remain unchanged.
13. When an occupied traditional clerk FTR duty assignment is reposted as a non-traditional full-time assignment, all duty assignments in that section or station/branch currently occupied by employees junior to the incumbent in that assignment will also be reposted for in-section bidding.
14. Within the cap restrictions (see paragraph 3), Function 4 vacant traditional FTR duty assignments can be posted as non-traditional full-time assignments, after notice to the Local Union President and opportunity for input, where operationally necessary.
15. Excessed employees with retreat rights (under Article 12.5.C.4 or 12.5.C.5) may decline the opportunity to retreat to non-traditional full-time assignments without relinquishing the right to retreat to posted traditional full-time regular duty assignments.
16. At the National Level, the APWU and Postal Service will oversee implementation of non-traditional staffing and assignments through regular bi-monthly meetings. Meetings may occur more frequently if needed.
17. Before implementing any new non-traditional assignments in Function 4 the local union will have the opportunity to review, comment, make suggestions and propose alternatives.
18. Job postings will contain the following language: For retirement purposes, NTFT assignments of less than 40 hours a week are considered part-time work.