

Capital Reporting Company
Postal Police Officers Association Interest Arbitration 02-06-2014

1360

BEFORE THE BOARD OF INTEREST ARBITRATION

-----:
In the Matter of: :
 :
UNITED STATES POSTAL SERVICE :
 : Volume 7
and : (Pgs. 1360 to 1666)
 :
POSTAL POLICE OFFICERS :
ASSOCIATION :
-----:

Washington, D.C.
Thursday, February 6, 2014

The following pages constitute the proceedings
held in the above-captioned matter at the
United States Postal Service, 475 L'Enfant Plaza,
Southwest, Washington, D.C. before Erick M.
Thacker, RPR, of Capital Reporting Company, a
Notary Public in and for the District of Columbia,
commencing at 9:30 a.m., when were present on
behalf of the respective parties:

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1361	<p>1 A P P E A R A N C E S</p> <p>2 Before Arbitrators:</p> <p>3 James C. Oldham, Impartial Chair</p> <p>4 Robert A. Dufek, USPS Member</p> <p>5 James Bjork, PPOA Member</p> <p>6 On behalf of the PPOA:</p> <p>7 ARLUS J. STEPHENS, ESQUIRE</p> <p>8 DONNA MCKINNON, ESQUIRE</p> <p>9 MURPHY ANDERSON, PLLC</p> <p>10 1701 K Street, Northwest</p> <p>11 Suite 210</p> <p>12 Washington, D.C. 20006</p> <p>13 (202) 223-2620</p> <p>14 On behalf of the U.S. Postal Service:</p> <p>15 TERESA A. GONSALVES, ESQUIRE</p> <p>16 JULIENNE BRAMESCO, ESQUIRE</p> <p>17 United States Postal Service</p> <p>18 475 L'Enfant Plaza, Southwest</p> <p>19 Washington, D.C. 20260</p> <p>20 (202) 268-6704</p> <p>21 ALSO PRESENT:</p> <p>22 Chris Vitolo, PPOA</p> <p> Eric Freeman, PPOA</p> <p> Joshua Pierce, PPOA</p> <p> Mike Plaugher, PPOA</p> <p> Joe Alexandrovich, USPS</p> <p> Sonya J. Penn, USPS</p> <p> Katherine P. Sullivan, USPS</p> <p> Janet Peterson, USPS</p> <p> * * * * *</p>
1362	<p>1 C O N T E N T S</p> <p>2 WITNESS: DIRECT CROSS REDIRECT</p> <p>3 MICHAEL BILLINGSLEY 1373 1410 1428 --</p> <p>4 TOM PAVLIK 1435 1465 1494 --</p> <p>5 JOE ALEXANDROVICH 1503 -- -- --</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17 (Exhibit books were tendered to the arbitrator.)</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p>
1363	<p>1 P R O C E E D I N G S</p> <p>2 ARBITRATOR OLDHAM: Are we all ready?</p> <p>3 MR. STEPHENS: Yes, sir.</p> <p>4 MS. GONSALVES: Yes. So today we're</p> <p>5 going to be using Postal Service Volumes 2 and 3</p> <p>6 primarily.</p> <p>7 ARBITRATOR OLDHAM: Okay.</p> <p>8 MS. GONSALVES: And we will be going</p> <p>9 back to a couple documents, but we'll let you</p> <p>10 know when we do that. We'll start out with</p> <p>11 Volume 2.</p> <p>12 ARBITRATOR OLDHAM: Okay.</p> <p>13 MS. GONSALVES: And we'll be in Volume</p> <p>14 2 and 3 for the -- I'm sorry -- for the second</p> <p>15 witness, we'll also be in Volume 2. The third</p> <p>16 witness, we'll be in Volume 2 and 3.</p> <p>17 And I just want to begin with a</p> <p>18 two-minute recap and roadmap. So since it's been</p> <p>19 a while since we were in hearing last, during the</p> <p>20 previous days of testimony, what the Postal</p> <p>21 Service has done is -- our case has focused on</p> <p>22 identifying the primary duties of Postal Police</p>
1364	<p>1 Officers on an aggregate level. We've</p> <p>2 acknowledged that there's some overlap between</p> <p>3 security guard and police officer duties, but we</p> <p>4 presented testimony, law and documents</p> <p>5 demonstrating that the duties of PPOs as a whole</p> <p>6 fall much closer to security guard on the</p> <p>7 guard/police continuum.</p> <p>8 We've had testimony about PPO duties</p> <p>9 and their training, and we've also gone through</p> <p>10 statutes and regulations that limit PPO duties to</p> <p>11 security relating to postal property and assets.</p> <p>12 The Postal Service also presented</p> <p>13 general testimony on 5305 data. That was that</p> <p>14 chart that looks at the duties of PPOs by tour</p> <p>15 and by location on a macro level, to demonstrate</p> <p>16 that the duties of PPOs haven't changed in any</p> <p>17 notable way since Arbitrator Fishgold's award</p> <p>18 back in 2008.</p> <p>19 Finally, I'm going to go out on a limb</p> <p>20 here and say that the Postal Service demonstrated</p> <p>21 beyond any reasonable dispute that Section</p> <p>22 1003(a) applies and not 1003(c), that the 1003(c)</p>

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1365	<p>1 only applies to Postal Inspectors. So, 2 therefore, that private sector comparability is 3 the applicable standard. 4 Nevertheless, in this next portion of 5 the Postal Service's case over the next two days, 6 we will be looking at comparability, and we're 7 going to look at it from a number of different 8 perspectives. Michael Billingsley will testify 9 first. He's a postal labor economist. And he's 10 going to take a close look at PPO compensation 11 and he's going to discuss the benefit premium, 12 the significant benefit premium that PPOs, as 13 well as other postal employees, enjoy. 14 Tom Pavlik of Sullivan Cotter is going 15 to testify next. He is both a compensation and a 16 job evaluation expert. He's going to testify 17 that PPOs receive a wage premium relative to 18 workers in the private sector of the economy 19 performing similar work. 20 And last but not least, Joe 21 Alexandrovich will testify. He's the present 22 manager of collective bargaining and arbitration,</p>	1367	<p>1 memorandum of understanding, which all PPOs are 2 required to sign when they start their duties as 3 PPOs. Let me just let her distribute those, and 4 then I'll talk about it. And this is marked as 5 C-16. We're putting it under cross exhibits just 6 because it's a convenient place to put it, but 7 it's not really a cross exhibit. But C-16. 8 (Document tendered.) 9 And you'll see that this document talks 10 generally -- I'm just going to spend a couple 11 seconds on this -- generally about duties and 12 responsibilities of the Postal Police. It talks 13 about their limited law enforcement authority. 14 It talks about the fact that they have no 15 off-duty law enforcement authority. At the 16 bottom, it talks about PPOs carrying their 17 firearms off duty. They're not permitted to do 18 that. 19 On the second page at the very top, it 20 talks about badges and credentials. They're for 21 official use only. They remain in their locker. 22 It does mention something about what Larry Katz</p>
1366	<p>1 as you've heard, and he's going to testify on a 2 number of topics, beginning with comparability. 3 He's going to look at PPO wage and benefits from 4 a number of perspectives using BLS data, Bureau 5 of Labor Statistics, Department of Labor wage 6 determinations and PPO quit rates. Though we 7 believe it's clear that private sector 8 comparability is the applicable standard, for the 9 sake of argument, he will look at both private 10 sector and public sector comparators in 11 concluding that there is a PPO wage and benefit 12 premium. 13 Joe's also going to look at interest 14 arbitration history at the Postal Service, and 15 he's going to look at the parties' proposals in 16 this proceeding. 17 Before we begin with the testimony -- 18 and Kate Sullivan will be presenting our 19 witness -- I want to introduce two documents that 20 I think would benefit the panel, and I'm going to 21 ask Lucia to please distribute those now. 22 The first document is a PPO MOU,</p>	1368	<p>1 testified about earlier. 2 Halfway down the page, in terms of 3 basic training, it says that this is the -- this 4 is the point that we're -- that's important. In 5 the second paragraph on page 2, it talks about 6 how Postal Police are reassigned from their 7 current position to a PPO position. And it 8 highlights the fact that -- the last sentence of 9 that second paragraph halfway down the page that 10 begins with "those who successfully complete 11 basic training," it says the Inspection Service 12 has no obligation to assist them in returning to 13 any position in the Postal Service and that they 14 may be discharged from the Postal Service. 15 ARBITRATOR OLDHAM: Weren't you really 16 talking about the third paragraph? 17 MS. GONSALVES: It's the second 18 paragraph under Postal Police Officer basic 19 training -- I'm sorry that I haven't been very 20 clear -- on the second page. 21 And then if you just go down to the 22 second to the last paragraph on page 2, it talks</p>

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1369	<p>1 about the primary purpose of PPO basic training.</p> <p>2 It's to give them the skills they need to be a</p> <p>3 uniformed security force officer.</p> <p>4 And then on the last page, you'll see</p> <p>5 that it requires the signature of the applicant.</p> <p>6 And then, under reinstatement, it states that --</p> <p>7 that the applicant understands that there's no</p> <p>8 obligation of -- of the Inspection Service to</p> <p>9 help them return.</p> <p>10 The second document is kind of --</p> <p>11 ARBITRATOR OLDHAM: Excuse me, but --</p> <p>12 MS. GONSALVES: Yes.</p> <p>13 ARBITRATOR OLDHAM: -- before you leave</p> <p>14 this one, tell me about the dating of this</p> <p>15 document as a memorandum of understanding.</p> <p>16 MS. GONSALVES: Okay. That is a good</p> <p>17 question. This is just the standard form that</p> <p>18 has been used for years in the Inspection</p> <p>19 Service. It's a standard form that PPOs have to</p> <p>20 sign.</p> <p>21 ARBITRATOR DUFEK: At the bottom, it</p> <p>22 does say on the first page -- I don't know if</p>	1371
1370	<p>1 this is relevant, but it's Postal Police Officer</p> <p>2 Applicant Memorandum of Understanding for Postal</p> <p>3 Employee, Version 6/11/2012.</p> <p>4 MS. GONSALVES: And I can proffer that</p> <p>5 this is the version that's currently in use. If</p> <p>6 we want to go back further, we can have somebody</p> <p>7 explain that or I could educate myself.</p> <p>8 ARBITRATOR OLDHAM: No, as long as it's</p> <p>9 agreed that it's a current document.</p> <p>10 MR. STEPHENS: I've never seen the</p> <p>11 document until just now. So I -- I know there's</p> <p>12 a couple of things I can already tell are out of</p> <p>13 date and a couple of things that I'd like to</p> <p>14 question about, like the admission that PPOs are</p> <p>15 expected to meet higher standards of job</p> <p>16 performance, attendance and conduct than other</p> <p>17 postal staff employees --</p> <p>18 ARBITRATOR OLDHAM: Who would be the --</p> <p>19 MR. STEPHENS: -- on page 2.</p> <p>20 ARBITRATOR OLDHAM: -- appropriate</p> <p>21 witness for -- to question about that?</p> <p>22 MS. GONSALVES: I can -- I can figure</p>	1372

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1373	<p>1 WHEREUPON,</p> <p>2 MICHAEL BILLINGSLEY</p> <p>3 called as a witness, and having been first duly</p> <p>4 sworn, was examined and testified as follows:</p> <p>5 THE WITNESS: I do.</p> <p>6 DIRECT EXAMINATION BY COUNSEL FOR</p> <p>7 THE</p> <p>8 POSTAL SERVICE</p> <p>9 BY MS. SULLIVAN</p> <p>10 Q Good morning.</p> <p>11 A Good morning.</p> <p>12 Q Can you please introduce yourself to</p> <p>13 the panel?</p> <p>14 A Yes. My name is Michael Billingsley.</p> <p>15 It's B-I-L-L-I-N-G-S-L-E-Y. I'm a labor</p> <p>16 economist here at the United States Postal</p> <p>17 Service.</p> <p>18 Q Please give the panel a sense of your</p> <p>19 educational background and a little bit about</p> <p>20 your work history with the Postal Service.</p> <p>21 A Sure. I began my career at the Postal</p> <p>22 Service in July of 2010. That was prior to this</p> <p>round of collective bargaining, and so I've been</p>	1375
1374	<p>1 fortunate enough to experience national</p> <p>2 negotiations with all of our labor unions during</p> <p>3 this round, starting with the APWU and Rural</p> <p>4 Letter Carriers, moving on to the City Carriers</p> <p>5 and Mail Handlers and, of course, with our other</p> <p>6 unions, including the Postal Police Officers</p> <p>7 Association.</p> <p>8 In my role as a labor economist, I have</p> <p>9 a variety of duties. I evaluate union proposals,</p> <p>10 specifically on how certain provisions impact the</p> <p>11 compensation of bargaining unit employees. I</p> <p>12 help to develop economic proposals. I also</p> <p>13 maintain a labor cost model that forecasts</p> <p>14 bargaining -- bargaining unit costs into the</p> <p>15 future.</p> <p>16 During this round specifically, I've</p> <p>17 helped prepare testimony that was given in</p> <p>18 interest arbitration with the Rural Letter</p> <p>19 Carriers, City Carriers and Mail Handlers. I've</p> <p>20 also testified in national rights arbitration on</p> <p>21 the compensation of APWU employees. In addition</p> <p>22 to that, I've given a presentation on the</p>	1376
	<p>1 compensation of our postal supervisors during</p> <p>2 fact-finding proceedings with one of our</p> <p>3 management associations.</p> <p>4 Q And what's your educational background?</p> <p>5 A I have a BA in economics and a master's</p> <p>6 in applied economics from the University of</p> <p>7 Maryland, College Park.</p> <p>8 Q And can you just give the panel a brief</p> <p>9 overview of what your presentation will cover</p> <p>10 today?</p> <p>11 A Sure. As the title suggests, I'll be</p> <p>12 going over the compensation of Postal Police</p> <p>13 Officers. I'll start with an overview of their</p> <p>14 total labor expense on a per-employee basis.</p> <p>15 I'll then move on to some of the sources of their</p> <p>16 salary increases. I'll compare their average</p> <p>17 salary growth to the private sector, get into</p> <p>18 some of the nitty-gritty components of their</p> <p>19 compensation in terms of premium pay. I'll also</p> <p>20 take a look at what I term the relative standing,</p> <p>21 how their average salary stacks up against</p> <p>22 similar employees at the Postal Service. I'll</p>	
	<p>1 then move into benefits and -- and describe to</p> <p>2 the panel -- panel how benefits is a significant</p> <p>3 portion of their compensation.</p> <p>4 Q What are the Postal Service's</p> <p>5 compensation costs for the average PPO?</p> <p>6 A Okay. So, on Slide 2, you can see that</p> <p>7 I've listed the average PPO labor costs for</p> <p>8 fiscal year 2013. On the right-hand side there,</p> <p>9 you can see our per-employee average is \$90,334.</p> <p>10 Focusing on the pie chart, you can see the</p> <p>11 biggest slice is related to straight time wages</p> <p>12 for hours worked. That's 48 percent of the</p> <p>13 total, which brings up an important point that</p> <p>14 benefits and premium pay is a -- accounts for</p> <p>15 over 50 percent of the compensation of Postal</p> <p>16 Police Officers.</p> <p>17 And I'll be getting into some of these</p> <p>18 components later in my presentation, but I just</p> <p>19 wanted to make note of premium pay up there. If</p> <p>20 this were a clock, I think it's at -- right at</p> <p>21 11:30. It's a small slice of this pie, but it</p> <p>22 has a significant impact on the earnings of</p>	

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1377	<p>1 Postal Police Officers for a regular 40-hour work</p> <p>2 week, and I'll -- I'll get into that more later.</p> <p>3 Q Turning to the next slide, what are PPO</p> <p>4 salary increases based on?</p> <p>5 A So here on Slide 3, I have the source</p> <p>6 of salary increases. They have two primary</p> <p>7 sources. The first is the Employment Cost Index</p> <p>8 minus 1 percent. I'm sure the panel is familiar</p> <p>9 with that concept. Just to make a -- a</p> <p>10 clarification, during Dr. Belman's testimony, he</p> <p>11 mentioned that ECI captures things other than</p> <p>12 growth in wages and salaries, benefits as well as</p> <p>13 some other employer costs. The ECI minus one</p> <p>14 formula that the Postal Service uses only looks</p> <p>15 at the growth in wages and salaries in the</p> <p>16 private sector.</p> <p>17 And we'll have another presentation on</p> <p>18 the bargaining history, but just to go over the</p> <p>19 genesis of ECI minus one, that was voluntarily</p> <p>20 negotiated in 1994, so it's been the norm for</p> <p>21 nearly 20 years now.</p> <p>22 In addition to ECI minus one, PPOs also</p>	1379
1378	<p>1 partly because of the cyclical nature of</p> <p>2 collective bargaining. You can see in 2003,</p> <p>3 2004, that's -- that's right when the 2000</p> <p>4 agreement -- 2003 agreement was being</p> <p>5 implemented, and then again in 2007, during</p> <p>6 arbitration, waiting for those wage provisions to</p> <p>7 kick in, you see that big increase from 2007 and</p> <p>8 2008.</p> <p>9 ARBITRATOR OLDHAM: I don't know that</p> <p>10 it matters, but is this a plot against the ECI or</p> <p>11 ECI minus one?</p> <p>12 THE WITNESS: ECI, Employment Cost</p> <p>13 Index. Full ECI.</p> <p>14 BY MS. SULLIVAN</p> <p>15 Q Now, the Postal Service's position is</p> <p>16 that external comparability is the proper</p> <p>17 standard for comparison when you're setting PPOs'</p> <p>18 rates, but the union has repeatedly claimed that</p> <p>19 internal -- that their wages have fallen behind</p> <p>20 those of other bargaining units, and they've</p> <p>21 urged the panel to consider internal</p> <p>22 comparability. So I'd like to take a look at how</p>	1380
1378	<p>1 receive step increases. The combination of these</p> <p>2 step increases and ECI minus one base wage</p> <p>3 increases have allowed for PPOs to keep pace with</p> <p>4 the private sector in terms of average salary</p> <p>5 growth.</p> <p>6 Q Let's take a closer look at that.</p> <p>7 How -- go ahead.</p> <p>8 A On Slide 4, you can see that I've</p> <p>9 plotted the growth in ECI from 2003 to 2012</p> <p>10 against the growth in average salary for Postal</p> <p>11 Police Officers, so roughly over the last decade,</p> <p>12 or it covers the last two contracts that the PPOs</p> <p>13 have entered into with the Postal Service.</p> <p>14 So the orange line there represents the</p> <p>15 growth in the Employment Cost Index, and you can</p> <p>16 see, from 2003 to 2012, cumulatively, it's over</p> <p>17 20 percent. For the blue line, the Postal Police</p> <p>18 Officers, while there is some volatility, it</p> <p>19 still ends up keeping pace or approximating that</p> <p>20 growth in the private sector for the Employment</p> <p>21 Cost Index.</p> <p>22 Now, the volatility can be explained</p>	1380
	<p>1 PPO wages compare to other bargaining units</p> <p>2 within the Postal Service.</p> <p>3 A Okay. So, on Slide 5, I've looked at</p> <p>4 the average salary of PPOs as compared to the</p> <p>5 average salaries of our most populous employee</p> <p>6 groups for our other unions. And so just going</p> <p>7 through the chart real quick, the first column</p> <p>8 you can see the union designation as well as the</p> <p>9 applicable grade compared to PPOs. In the second</p> <p>10 column labeled 2012, that's the average salary</p> <p>11 for that group of employees in 2012. In the</p> <p>12 third column labeled dollar to PPO, that's the</p> <p>13 dollar difference in average salary as compared</p> <p>14 to PPOs.</p> <p>15 So going down to that bottom row there,</p> <p>16 you interpret that 1,362 number to be that Mail</p> <p>17 Handler Grade 4s make \$1,362 less than the</p> <p>18 average PPO. And then translating that to a</p> <p>19 percentage, that's over -- 2.6 percent on average</p> <p>20 that a Mail Handler Grade 4 makes less than a</p> <p>21 PPO.</p> <p>22 Q And were the -- were these --</p>	

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1381	<p>1 A There's a couple of things to point out</p> <p>2 here. Number one, that you can see a clear</p> <p>3 divide with what we term our core function of the</p> <p>4 Postal Service. The city carriers and rural</p> <p>5 carriers make a bit more, and the mail handlers</p> <p>6 and our retail clerks or mail processing clerks</p> <p>7 make a bit less.</p> <p>8 In addition to that, you can also see</p> <p>9 that during this round of collective bargaining,</p> <p>10 all of the employee groups, save for the PPOs,</p> <p>11 receive the same wage package. Okay. So that</p> <p>12 was two years of wage freeze as well as three</p> <p>13 years of moderate wage increases in the out</p> <p>14 years. And so, while there is a difference, you</p> <p>15 can see that in -- at least in terms of the wage</p> <p>16 packages awarded during this round of collective</p> <p>17 bargaining, it -- it represents sort of an</p> <p>18 approximate parity between these unions.</p> <p>19 Q Turning to the next slide, you</p> <p>20 mentioned premium pay earlier. Can you give the</p> <p>21 panel some more detail on that?</p> <p>22 A Sure. Slide 6, I've outlined the two</p>	1383
1382	<p>1 primary cost drivers of -- of premium pay that</p> <p>2 Postal Police Officers receive. First is night</p> <p>3 shift differential. Postal Police who work</p> <p>4 between -- hours between 6:00 p.m. and 6:00 a.m.</p> <p>5 earn a 10 percent premium on top of their base</p> <p>6 rate for those hours. This is important for a</p> <p>7 couple of reasons. Number one, other bargaining</p> <p>8 units received a fixed dollar amount for their</p> <p>9 night shift differential. So not only is that</p> <p>10 fixed dollar amount generally less, to the tune</p> <p>11 of about 3 to 5 percent, but in addition, the</p> <p>12 10 percent increases as Postal Police Officers'</p> <p>13 salary increases. So any wage increase or step</p> <p>14 increase that PPOs receive, the Postal Service</p> <p>15 ends up paying more for that night shift</p> <p>16 differential. And you can see there that that</p> <p>17 comes to an average annual cost per PPO of</p> <p>18 \$2,000 in fiscal year 2013.</p> <p>19 In addition, PPOs --</p> <p>20 ARBITRATOR OLDHAM: I'm sorry to stop</p> <p>21 you, but I -- I didn't quite follow your</p> <p>22 explanation for why it costs more. Can you do</p>	1384

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1385	<p>1 and premium pay, PPOs received \$57,141. That's</p> <p>2 over \$1,200 more than a City Carrier Grade 1 and</p> <p>3 over 2 percent more than that city carrier.</p> <p>4 When comparing to APWU Grade 6, you can</p> <p>5 see the difference is nearly \$2,400 and over four</p> <p>6 point -- 4 percent.</p> <p>7 ARBITRATOR OLDHAM: Of -- can you</p> <p>8 explain, just so that we understand, the</p> <p>9 complements of the 57,141 figure as it relates to</p> <p>10 the prior slide, that is to say, this premium pay</p> <p>11 figure includes Sunday work or --</p> <p>12 THE WITNESS: That's right. So the two</p> <p>13 primary cost drivers are -- are Sunday work and</p> <p>14 night shift differential for PPOs.</p> <p>15 ARBITRATOR OLDHAM: Yes, but,</p> <p>16 obviously, some of the workers work on Sundays.</p> <p>17 THE WITNESS: That's right.</p> <p>18 ARBITRATOR OLDHAM: How does that tally</p> <p>19 with regard to --</p> <p>20 THE WITNESS: So there is some work</p> <p>21 done by carriers on Sundays, and at night there's</p> <p>22 small, but this is meant to show that for a</p>	1387	<p>1 night shift differential for all of these groups?</p> <p>2 THE WITNESS: That's right.</p> <p>3 ARBITRATOR DUFEK: And then took an</p> <p>4 average number -- this doesn't reflect any one</p> <p>5 individual. It just is an average number of --</p> <p>6 when you look at that bargaining units across the</p> <p>7 spectrum, you average in the night shift</p> <p>8 differential and Sunday premium differential that</p> <p>9 each group gets based on the percentage of hours</p> <p>10 worked in those?</p> <p>11 THE WITNESS: That's correct.</p> <p>12 BY MS. SULLIVAN</p> <p>13 Q And this is for a 40-hour work week?</p> <p>14 A That's right.</p> <p>15 Q Let's turn our attention to the</p> <p>16 benefits that PPOs receive.</p> <p>17 A Okay. So as I said, benefits are a</p> <p>18 significant portion of the compensation that</p> <p>19 Postal Police Officers receive. And I'm going to</p> <p>20 go into the primary cost drivers of those</p> <p>21 benefits and comparison of those benefits to the</p> <p>22 private sector.</p>
1386	<p>1 40-hour -- a regular 40-hour work week, that is,</p> <p>2 that these employee groups are not working any</p> <p>3 more than 40 hours, this is annualized, so this</p> <p>4 is the normal course of their duties, and this</p> <p>5 represents their earnings in relation to that.</p> <p>6 So, yes, city carriers and rural carriers do not</p> <p>7 receive much night shift and Sunday premium.</p> <p>8 They receive a small amount of -- of other</p> <p>9 premium.</p> <p>10 ARBITRATOR OLDHAM: So if I'm</p> <p>11 understanding you, this PPO figure for 2012 is</p> <p>12 the maximum amount that a PPO might earn,</p> <p>13 including -- including premium pay; is that</p> <p>14 correct?</p> <p>15 THE WITNESS: It's not the maximum</p> <p>16 amount. It's the average.</p> <p>17 ARBITRATOR OLDHAM: It's the average.</p> <p>18 THE WITNESS: It's the average.</p> <p>19 ARBITRATOR DUFEK: Let me take a crack</p> <p>20 at it. My understanding is what you've done is</p> <p>21 take a look at the bargaining unit of all of</p> <p>22 these groups and you factored in premium pay or</p>	1388	<p>1 So, turning to Slide 9, you can see</p> <p>2 that I've broken out the different cost</p> <p>3 components of the benefits -- of benefits costs</p> <p>4 for PPOs. On the right-hand side there, you can</p> <p>5 see that in fiscal year '13, the Postal Service</p> <p>6 expenses were \$35,294 on average per Postal</p> <p>7 Police Officer. The pie -- you can see the</p> <p>8 primary cost drivers are health benefits, paid</p> <p>9 leave and retirement, and those are the benefits</p> <p>10 I'll be focusing on momentarily.</p> <p>11 Q Turning to the next slide, can you talk</p> <p>12 a little bit about the difference between</p> <p>13 bargained for and legislated -- legislated</p> <p>14 benefits and what that distinction means?</p> <p>15 A Sure. So this pie chart, you can see</p> <p>16 that there's slices of the pie that are shaded</p> <p>17 orange. Those are what we considered our</p> <p>18 legislated benefits. Those benefits cannot be</p> <p>19 changed in this forum during negotiations with</p> <p>20 our bargaining units. They have to be changed</p> <p>21 through an act of Congress. That's not to say</p> <p>22 that we haven't put forth proposals -- in fact, a</p>

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1389	<p>1 proposal that's being marked up today to address</p> <p>2 some of these costs -- it's just that this isn't</p> <p>3 the proper forum to address those benefits costs,</p> <p>4 and that accounts for nearly 50 percent of the</p> <p>5 cost to the Postal Service.</p> <p>6 Now, the blue shaded slices of the pie</p> <p>7 are those benefits that we can address in</p> <p>8 interest arbitration in negotiation. There's</p> <p>9 primarily health benefits, paid leave. Other</p> <p>10 benefits is comprised of life insurance and</p> <p>11 uniform allowance.</p> <p>12 As a result of our negotiated agreement</p> <p>13 this round, as well as three prior interest</p> <p>14 arbitrations, we're only asking the panel to look</p> <p>15 at our health -- addressing our health benefits</p> <p>16 costs here.</p> <p>17 Q Let's look at those health benefits</p> <p>18 further. What kind of health benefits do PPOs</p> <p>19 receive?</p> <p>20 A Sure. So PP- -- PPOs fall under the</p> <p>21 Federal Employees Health Benefits group. The way</p> <p>22 that the Postal Service incurs costs for health</p>	1391	<p>1 Q Turning to the next slide, you've</p> <p>2 broken out the health benefits piece of the pie.</p> <p>3 Can you explain to the panel how the</p> <p>4 choice of health benefit plans impacts the Postal</p> <p>5 Service's costs per employee?</p> <p>6 A Sure. So you can see I've broken out</p> <p>7 here the health benefits per employee. It's</p> <p>8 about \$8,400. And on the right-hand side there,</p> <p>9 you can see that I've listed the employer cost</p> <p>10 per employee for the different types of plans,</p> <p>11 the average self only and the average family;</p> <p>12 self only at about 5,500, family over 12,000.</p> <p>13 And this is important when I get to my next</p> <p>14 slide, because two-thirds of PPOs are enrolled in</p> <p>15 more costly family plans, so that ends up driving</p> <p>16 up the cost of those health benefits per</p> <p>17 employee.</p> <p>18 Q If you break these costs -- going to</p> <p>19 the next slide, if you break these costs down</p> <p>20 into cost per hour, how do PPOs compare to the</p> <p>21 private sector?</p> <p>22 A Okay. So what I've done here is</p>
1390	<p>1 benefits is they contribute a portion of the</p> <p>2 premium that PPOs select. So that's -- that's</p> <p>3 right now currently at 80 percent of the weighted</p> <p>4 average. Through this round of -- of -- of</p> <p>5 collective bargaining with our four major unions,</p> <p>6 we were able to reduce that contribution down to</p> <p>7 the private sector level, which is 76 percent.</p> <p>8 A couple of points to make here. First</p> <p>9 is that management employees for 2014 are down to</p> <p>10 75 percent contribution level and, in addition,</p> <p>11 executives in 2014 are down to the federal level,</p> <p>12 which is 72 percent, so just -- just a little bit</p> <p>13 of evidence of that shared sacrifice that the</p> <p>14 Postal Service talks about in terms of -- of our</p> <p>15 financial condition.</p> <p>16 Q And what are we asking -- I'm not sure</p> <p>17 if I heard you say this. What are we asking from</p> <p>18 the PPOs in terms of --</p> <p>19 A Right. So we'll have presentation on</p> <p>20 our specific proposals, but we are asking the</p> <p>21 panel to consider reducing that 80 percent down</p> <p>22 to the private sector level of 76 percent.</p>	1392	<p>1 I've -- I've looked at the employer cost for</p> <p>2 employee compensation data published by the</p> <p>3 Bureau of Labor Statistics, which measures</p> <p>4 benefits costs as a dollar-per-work-hour figure.</p> <p>5 You'll recall there was some discussion</p> <p>6 with Dr. Belman during his testimony, when he was</p> <p>7 speaking about benefits, he said to do a proper</p> <p>8 comparison, he would have to look at ECEC data to</p> <p>9 look at the cost per work hour, and that's</p> <p>10 exactly what I've done here. And I've compared</p> <p>11 the costs incurred by the Postal Service for</p> <p>12 health benefits compared to full-time private</p> <p>13 sector workers. And so on the right-hand side</p> <p>14 there, that blue bar, you can see \$2.96. What</p> <p>15 that represents is the employer cost in the</p> <p>16 private sector on average for their full-time</p> <p>17 workers.</p> <p>18 On the left-hand side, you can see</p> <p>19 that's the Postal Service's costs for health</p> <p>20 benefits for a Postal Police Officer at \$4.50.</p> <p>21 Now, the red portion of that bar signifies a</p> <p>22 \$1.54 premium per work hour, or, stated another</p>

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1393	<p>1 way, PPOs receive a 52 percent premium over their 2 private sector counterparts. 3 Q And what accounts for that premium? 4 A As I said, the -- the mix of plans 5 drives that premium. So in the private sector, 6 they choose between self and family, at roughly a 7 50/50 clip, whereas PPOs are at two-thirds 8 family, one-third self. And, in addition to 9 that, as I was discussing about the contribution 10 rate, the contribution rate on average in the 11 private sector is about 76 percent for the -- for 12 their premium, and at the Postal Service for 13 PPOs, it's currently 80 percent. 14 Q Turning to the next slide, can you tell 15 us a little bit about the paid leave that PPOs 16 receive? 17 A Sure. So, on Slide 14, you can see 18 that PPOs can earn anywhere from 13 to 26 days 19 per year for annual leave or vacation. They can 20 also carry over any unused leave, up to 55 days 21 each year. In addition to that, they receive 13 22 days of -- per year of sick leave, and they can</p>	1395	<p>1 THE WITNESS: For sick leave. 2 ARBITRATOR OLDHAM: For sick leave. 3 THE WITNESS: If they choose to, if 4 they don't use it. For annual leave, it is 5 capped at that 55 days, but the important thing 6 here is it's expensed as it's accrued, and so we 7 incur the expenses as they earn it each year. 8 ARBITRATOR DUFEK: If an individual 9 retires with 55 days of accrued annual leave, 10 what -- what happens? 11 THE WITNESS: We would issue a check 12 for the balance of that amount, and that check 13 would reflect their current rate. 14 BY MS. SULLIVAN 15 Q So breaking down paid leave into a 16 little more detail, can you tell us what the 17 table on the right on Slide 15 means? 18 A Sure. So you can see that average paid 19 leave costs for PPOs is roughly \$9,800 in fiscal 20 year '13. On the right-hand side, you can see 21 the average accrued and average balance. So the 22 average accrued, remember that scale 13 to 26</p>
1394	<p>1 carry that over in an unlimited fashion and use 2 it for service credit at retirement. 3 And, in addition to that, they receive 4 ten paid holidays per year. 5 Q Now, is this rate of leave accrual the 6 same rate that all other postal employees have? 7 A It is not. I mentioned that I gave a 8 presentation during fact-finding with our 9 management associations. One of the 10 recommendations from that panel was to reduce 11 labor accruals, and we adopted that 12 recommendation. And so newly-hired management 13 employees, some of the management employees in 14 this room today, accrue leave at a lower rate. 15 That 13 to 26 scale is now 10 to 20, and so 16 that -- that -- that offers a significant cost 17 savings to the Postal Service and again is 18 evidence of that shared sacrifice that we talked 19 about. 20 ARBITRATOR OLDHAM: Before leaving 21 this, so a carry-over is carried over 22 indefinitely until the employee retires?</p>	1396	<p>1 days. On average, Postal Police Officers are at 2 the top of that scale. They accrue 24 days of -- 3 of annual leave on average. Adding in sick and 4 holiday, you can see that total paid time off 5 accrued for PPOs is 47 days for fiscal year '13. 6 And then you can see the average balance that we 7 just talked about. For vacation, they carry 8 over, on average, 26 days, and they have 9 currently about 100 days of sick leave on hand. 10 So, in total, that's 125 days of unused leave 11 that PPOs have at their disposal. 12 Now, the -- one of the important things 13 with paid leave is that these costs also increase 14 proportional to salary increases, so any step 15 increase, any wage package that's awarded in 16 these proceedings will increase the cost of 17 those -- of those paid leave hours. 18 Q And how does the paid leave that PPOs 19 accrue compare to paid leave in the private 20 sector? 21 A Okay. So, on Slide 16, what I've done 22 is I've -- I've looked at PPO leave accrual for a</p>

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1397	<p>1 PPO with 15 years of service. You can see on the</p> <p>2 left-hand side there, it's broken down between</p> <p>3 holidays, sick and annual leave. A PPO with 15</p> <p>4 years of service accrues 49 days per year. As</p> <p>5 compared to their private sector counterparts,</p> <p>6 it's a different mix of -- they -- they have some</p> <p>7 personal leave in there, but they accrue on</p> <p>8 average 38 days per year. And so this delta</p> <p>9 contributes significantly to the -- to the paid</p> <p>10 leave premium for the Postal Police Officers.</p> <p>11 Q And going one step further and breaking</p> <p>12 that down into cost per hour, how do PPOs compare</p> <p>13 to the private sector?</p> <p>14 A Sure. So, again, similar to a slide</p> <p>15 we've seen previously, on Slide 17, we see paid</p> <p>16 leave benefits cost is a dollar per work hour,</p> <p>17 using that ECEC data for the full-time private</p> <p>18 sector employees. Same interpretation: \$2.55 are</p> <p>19 the costs incurred by an employer for their</p> <p>20 full-time workers in the private sector, the</p> <p>21 Postal Service costs of \$5.23, a difference</p> <p>22 of \$2.68, or a premium of over 100 percent. Now,</p>	1399	<p>1 the -- the wage -- wage of this sample popu- --</p> <p>2 of the population is higher than the average wage</p> <p>3 earned by private sector comparators to the PPOs.</p> <p>4 ARBITRATOR OLDHAM: Okay. But explain</p> <p>5 it just a bit more for me because I want to make</p> <p>6 sure we're comparing apples to apples here.</p> <p>7 When you say this is all full-time</p> <p>8 private sector employees --</p> <p>9 THE WITNESS: Right.</p> <p>10 ARBITRATOR OLDHAM: -- you're not</p> <p>11 talking about hourly workers, necessarily, or are</p> <p>12 you?</p> <p>13 THE WITNESS: Well, PPOs are hourly</p> <p>14 employees.</p> <p>15 ARBITRATOR OLDHAM: Well, I -- I just</p> <p>16 want to know about the private sector at the</p> <p>17 moment --</p> <p>18 THE WITNESS: Okay.</p> <p>19 ARBITRATOR OLDHAM: -- because we've</p> <p>20 basically been told by management witnesses</p> <p>21 before that the proper comparison is really to</p> <p>22 security guards, for example.</p>
1398	<p>1 this premium is driven, as I said, again, by the</p> <p>2 significant accrual rates. As an example, a</p> <p>3 15-year employee, 11 extra days in accrual, as</p> <p>4 well as the wage premium that exists between</p> <p>5 Postal Police Officers and their full-time</p> <p>6 private sector counterparts.</p> <p>7 ARBITRATOR OLDHAM: And just so that</p> <p>8 I'm clear, remind me if you've already said who</p> <p>9 the employees are in the private sector</p> <p>10 calculations.</p> <p>11 THE WITNESS: So, when looking at ECEC</p> <p>12 benefit data, trying to get in greater detail</p> <p>13 these benefits, looking at paid leave, looking at</p> <p>14 retirement, looking at health benefits, they</p> <p>15 don't break it down as they do for just wages.</p> <p>16 And so the full-time private sector employees</p> <p>17 represents all employees in the private sector.</p> <p>18 Now, there's a couple reasons why I did</p> <p>19 that comparison. Number one is that I think</p> <p>20 we'll see testimony that there is a wage premium</p> <p>21 that exists between PPOs and their private sector</p> <p>22 counterparts. And just for information for you,</p>	1400	<p>1 THE WITNESS: Right.</p> <p>2 ARBITRATOR OLDHAM: Who are the people</p> <p>3 here in this column?</p> <p>4 THE WITNESS: So the costs are derived</p> <p>5 from the National Compensation Survey. It's a</p> <p>6 wide variety of occupations. This is not</p> <p>7 comparing two security guards or postal -- or --</p> <p>8 or police officers. It's comparing to full-time</p> <p>9 private sector workers. It would be the entirety</p> <p>10 of that -- of that survey.</p> <p>11 And another reason why -- why I showed</p> <p>12 this is because this is consistent with the</p> <p>13 methodology used in prior interest arbitrations.</p> <p>14 So this same methodology was used and was before</p> <p>15 the panel headed by Arbitrator Clarke, Das and</p> <p>16 Fishgold in this round of collective bargaining.</p> <p>17 ARBITRATOR OLDHAM: I'd be willing to</p> <p>18 believe that. I'm just trying to understand it.</p> <p>19 THE WITNESS: Right.</p> <p>20 ARBITRATOR OLDHAM: Again, now, are --</p> <p>21 are these -- again, I'm thinking of apples and</p> <p>22 oranges.</p>

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1401	<p>1 THE WITNESS: Right.</p> <p>2 ARBITRATOR OLDHAM: Are these hourly</p> <p>3 workers, or are these workers that -- or do we</p> <p>4 differentiate between hourly and salaried?</p> <p>5 THE WITNESS: You can. I mean, there's</p> <p>6 different cuts. But for the full-time private</p> <p>7 sector, those are all full-time private sector</p> <p>8 workers of the -- of the sample. I -- I try to</p> <p>9 get at if we compare PPOs to the sample and not</p> <p>10 necessarily consider the occupation, the wages</p> <p>11 earned by PPOs exceed the wages earned by the</p> <p>12 sample.</p> <p>13 However, the wages of the sample exceed</p> <p>14 the specific wages for the occupations that the</p> <p>15 Postal Service believes we compare the PPOs to in</p> <p>16 the private sector. And, so, while it is a</p> <p>17 sample of overall the different occupations, it</p> <p>18 includes a variety of occupations. At least in</p> <p>19 the -- in the wage premium effect on benefits, it</p> <p>20 would be -- it would slightly understate that</p> <p>21 effect, if that helps.</p> <p>22 ARBITRATOR OLDHAM: Okay. I'm not very</p>	1403	
1402	<p>1 clear on that --</p> <p>2 THE WITNESS: Okay.</p> <p>3 ARBITRATOR OLDHAM: -- and maybe we can</p> <p>4 pursue that before you leave your seat.</p> <p>5 THE WITNESS: Okay.</p> <p>6 ARBITRATOR OLDHAM: But I can leave it</p> <p>7 there for a moment.</p> <p>8 THE WITNESS: All right.</p> <p>9 ARBITRATOR DUFEK: And just let me</p> <p>10 clarify one thing from my vantage point, because</p> <p>11 I think you said this, but I'm not sure I</p> <p>12 understood it properly.</p> <p>13 When you look at wage data in the</p> <p>14 private sector and you compare PPOs to other</p> <p>15 occupations, that's possible to do from the</p> <p>16 datasets that are provided by the Bureau of Labor</p> <p>17 Statistics, because they break the wage data down</p> <p>18 by occupation.</p> <p>19 THE WITNESS: That's correct.</p> <p>20 ARBITRATOR DUFEK: However, when it</p> <p>21 comes to benefits, the Bureau of Labor Statistics</p> <p>22 does not do that.</p>	<p>1 THE WITNESS: That's right.</p> <p>2 ARBITRATOR DUFEK: And, therefore, it</p> <p>3 is impossible for you from that dataset to</p> <p>4 compare, as Arbitrator Oldham said, apples to</p> <p>5 apples.</p> <p>6 Now, having said that, what I</p> <p>7 understood you to say is that the dataset that</p> <p>8 you used from the Bureau of Labor Statistics, the</p> <p>9 average wage that goes into this is higher than</p> <p>10 an occupation-to-occupation comparison.</p> <p>11 THE WITNESS: That's right.</p> <p>12 ARBITRATOR DUFEK: And so, therefore,</p> <p>13 when you look at the benefit costs relative to</p> <p>14 that wage set, you're basically saying that this</p> <p>15 premium is understated.</p> <p>16 THE WITNESS: That's correct.</p> <p>17 ARBITRATOR DUFEK: That's what I</p> <p>18 understood.</p> <p>19 THE WITNESS: Yes. We're using -- I'm</p> <p>20 using the best available data source to get down</p> <p>21 at these individual benefit costs per work hour.</p> <p>22 ARBITRATOR DUFEK: One thing that may</p>	1404

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1405	<p>1 employees also have access to participate in a</p> <p>2 thrift savings plan similar to a 401(k).</p> <p>3 CSRS covers about 10 percent of the PPO</p> <p>4 bargaining unit. The majority, or 90 percent,</p> <p>5 are covered under the first system. They receive</p> <p>6 an annuity or a defined benefit of approximately</p> <p>7 1 percent of salary per year of service, and this</p> <p>8 is indexed with inflation partially. And they</p> <p>9 also participate in the Thrift Savings Plan, but</p> <p>10 this -- this has a USPS contribution applied to</p> <p>11 it, up to 5 percent of salary. So this TSP we</p> <p>12 consider also a defined contribution part of</p> <p>13 their retirement.</p> <p>14 In addition to that, the Postal Service</p> <p>15 pays Social Security on those wages; whereas,</p> <p>16 compared to CSRS, we do not. So you have sort of</p> <p>17 a three-legged stool for these FERS employees.</p> <p>18 They receive a defined benefit of 1 percent of</p> <p>19 salary per year of service, defined contribution</p> <p>20 in the form of up to 5 percent matching of salary</p> <p>21 for their TSP, and then Social Security. And</p> <p>22 this is simply not prevalent in the private</p>	1407	<p>1 insurance benefits that PPOs receive?</p> <p>2 A Sure. PPOs are under the Federal</p> <p>3 Employees' Group Life Insurance program. It</p> <p>4 offers, basically, an optional insurance. The</p> <p>5 Postal Service pays the full cost of that basic</p> <p>6 coverage. As -- as a comparison, the federal</p> <p>7 government pays only one-third of those basic</p> <p>8 coverage costs for its employees.</p> <p>9 Q And every employee receives the basic</p> <p>10 coverage, right?</p> <p>11 A That's correct.</p> <p>12 Q Do PPOs also receive retiree health</p> <p>13 benefits?</p> <p>14 A They do. And retiree health benefits</p> <p>15 could probably be a presentation in and of</p> <p>16 itself, but I'm just going to touch on a few key</p> <p>17 points here on Slide 21.</p> <p>18 When a PPO retires, they fall under the</p> <p>19 Federal Employees Health Benefits program. The</p> <p>20 Postal Service contributes 72 percent of the</p> <p>21 weighted average premium while they're in</p> <p>22 retirement for the plans that they select.</p>
1406	<p>1 sector to have such a rich benefit package.</p> <p>2 In terms of shifting from -- in the</p> <p>3 private sector, shifting from defined benefit to</p> <p>4 defined contribution, in the mid '80s, roughly</p> <p>5 30 percent of employees were covered by defined</p> <p>6 benefits. Fast forward to 2010 and less than</p> <p>7 15 percent of employees are under defined benefit</p> <p>8 plans. So even less than that also receive a</p> <p>9 defined contribution with their defined benefit.</p> <p>10 Q Moving on to the next slide, what does</p> <p>11 this mean when you compare PPO retirement</p> <p>12 benefits to those in the private sector?</p> <p>13 A So, again, using -- using that</p> <p>14 full-time private sector comparison, the costs to</p> <p>15 the employer of \$3.70 for retirements in a</p> <p>16 dollar-per-work-hour figure, compare that to what</p> <p>17 the Postal Service pays for PPOs at \$6.16, a</p> <p>18 difference of \$2.46, or a 66 percent premium.</p> <p>19 And the components of that premium are</p> <p>20 the richness of the benefits plan as well as the</p> <p>21 wage premium that exists.</p> <p>22 Q Can you briefly touch on the life</p>	1408	<p>1 Now, the costs incurred to the Postal</p> <p>2 Service are what we term the normal costs, and</p> <p>3 that represents the annualized net present value</p> <p>4 of that retiree health benefit for current</p> <p>5 employees. And so, stated another way, PPOs</p> <p>6 currently are going -- the Postal Service is</p> <p>7 going to be on the hook for retiree health</p> <p>8 benefits when a current PPO retires, and so each</p> <p>9 year, we have to put away money to cover those</p> <p>10 retiree health benefits, and that's what that</p> <p>11 \$5,400 approximately is per employee.</p> <p>12 And this is just not prevalent in the</p> <p>13 private sector. Back in the early '90s, roughly</p> <p>14 65 percent of large firms who offered health</p> <p>15 benefits also offered retiree health benefits,</p> <p>16 but because of how costly they are, fast forward</p> <p>17 to 2010, only -- less than 25 percent of large</p> <p>18 firms provide retiree health benefits.</p> <p>19 Q Now, can you just wrap up and give us a</p> <p>20 summary of PPO compensation costs?</p> <p>21 A Sure. So here I've translated that</p> <p>22 first pie chart that you see -- that you saw in</p>

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1409	<p>1 the beginning and sort of itemized the costs for</p> <p>2 you. You can see that wages for straight time</p> <p>3 hours worked and paid leave added together for</p> <p>4 the average salary subtotal of 53,446. You add</p> <p>5 in those benefits and premium numbers, a total</p> <p>6 compensation of over \$77,500. And then you add</p> <p>7 in those additional labor costs, the overtime as</p> <p>8 well as the retiree health benefits, and it</p> <p>9 brings you to a total labor cost of \$90,334.</p> <p>10 MS. SULLIVAN: Thank you, Michael.</p> <p>11 I have no further questions at this</p> <p>12 time.</p> <p>13 ARBITRATOR OLDHAM: I'll bet you want a</p> <p>14 break.</p> <p>15 MR. STEPHENS: That would be wonderful.</p> <p>16 Is 15 minutes okay?</p> <p>17 ARBITRATOR OLDHAM: Yes.</p> <p>18 MR. STEPHENS: Thank you.</p> <p>19 (Brief recess.)</p> <p>20</p> <p>21</p> <p>22</p>	1411
1410	<p>1 CROSS-EXAMINATION BY COUNSEL FOR</p> <p>2 THE</p> <p>3 UNION</p> <p>4 BY MS. MCKINNON</p> <p>5 Q Good morning, Mr. Billingsley.</p> <p>6 A Good morning.</p> <p>7 Q My first question for you is: Did you</p> <p>8 perform all the underlying calculations that are</p> <p>9 contained in this PowerPoint?</p> <p>10 A I did.</p> <p>11 Q Did you perform them alone?</p> <p>12 A I did.</p> <p>13 Q Okay. Can I please direct your</p> <p>14 attention to Slide No. 4?</p> <p>15 A Sure.</p> <p>16 Q So you testified that this blue line</p> <p>17 represents the average salary growth for PPOs --</p> <p>18 A That's correct.</p> <p>19 Q -- that's correct?</p> <p>20 And then does this blue line -- this</p> <p>21 blue line (indicating) includes step increases;</p> <p>22 is that correct?</p> <p>A That's correct.</p>	1412

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1413	<p>1 Q Can you please provide us those</p> <p>2 numbers, then?</p> <p>3 A Sure.</p> <p>4 Q For the rural letter carriers, how many</p> <p>5 of the rural letter carriers are at the top step?</p> <p>6 A I can provide that to you.</p> <p>7 Q Do you know how many Grade 6 APWU</p> <p>8 members are at the top step?</p> <p>9 A Not off the top of my head.</p> <p>10 Q And do you know how many mail handlers</p> <p>11 are at the -- in Grade 4 are at the top step?</p> <p>12 A I can provide that to you.</p> <p>13 Q So isn't it correct that the average</p> <p>14 salary, if there was a lot of people at the top</p> <p>15 step, then that -- the average salary -- the --</p> <p>16 the number of people at the top step, that would</p> <p>17 affect the average salary?</p> <p>18 A It would affect it, but, again, I'll</p> <p>19 qualify by saying that, to my knowledge, it</p> <p>20 wouldn't have as big of an effect, but I can --</p> <p>21 Q Based on the numbers that you</p> <p>22 believe --</p>	1415	<p>1 A The average salary is -- is the cost,</p> <p>2 and it's driven by where employees are in their</p> <p>3 step progression.</p> <p>4 Q All right. Thank you. May I please</p> <p>5 direct your attention to Slide 6?</p> <p>6 Now, isn't it correct that the night</p> <p>7 work performed by the other postal employees, the</p> <p>8 clerks and the mail handlers at night, occurs</p> <p>9 inside a secure postal facility?</p> <p>10 A I would assume so. I don't have direct</p> <p>11 knowledge of that. We provide security to all of</p> <p>12 our postal facilities, so, therefore, one could</p> <p>13 say that.</p> <p>14 Q But that is not correct for PPOs; is</p> <p>15 that correct?</p> <p>16 A I have no knowledge of that. I believe</p> <p>17 so.</p> <p>18 Q Okay. You testified that PPOs spend</p> <p>19 60 percent of their time not doing mobile posts;</p> <p>20 is that correct?</p> <p>21 A I may have misspoke there. Let me --</p> <p>22 let me clarify. If I said that, I did misspeak.</p>
1414	<p>1 A That's --</p> <p>2 Q -- you do not know?</p> <p>3 I'm going to be handing you,</p> <p>4 Mr. Billingsley, the PPO totals.</p> <p>5 MR. STEPHENS: I've got it.</p> <p>6 MS. MCKINNON: Thank you. And this is</p> <p>7 going to be Union No. 101.</p> <p>8 BY MS. MCKINNON</p> <p>9 Q And I'll just represent to you that</p> <p>10 this is the distribution of PPOs --</p> <p>11 A Okay.</p> <p>12 Q -- which will factor into what would be</p> <p>13 the average salary for a PPO.</p> <p>14 A Right. And just to clarify, when I --</p> <p>15 when I did this analysis, I'm looking at, you</p> <p>16 know, cost to the Postal Service. This would be</p> <p>17 the cost for this employee group. And so</p> <p>18 focusing on cost, yes, it would have a slight</p> <p>19 impact if there is a difference, but I'd to</p> <p>20 verify those differences.</p> <p>21 Q But -- so you're -- you're just looking</p> <p>22 at the costs? You're not looking at --</p>	1416	<p>1 And what I -- what I meant to say was that Postal</p> <p>2 Police Officers could -- could not possibly</p> <p>3 interface with carriers for the -- there was some</p> <p>4 discussion in terms of protecting carriers and</p> <p>5 visiting carriers, and so by nature of the night</p> <p>6 shift differential and Sunday premium when</p> <p>7 generally there are no carriers, 60 percent of</p> <p>8 their time would have to be spent not interfacing</p> <p>9 with those carriers. So I apologize if I</p> <p>10 misspoke there.</p> <p>11 ARBITRATOR OLDHAM: I don't believe you</p> <p>12 did. I have it just the way you've expressed it;</p> <p>13 60 percent was night and Sunday work, and there</p> <p>14 would be no interaction with letter carriers.</p> <p>15 THE WITNESS: Okay. Yeah.</p> <p>16 BY MS. MCKINNON</p> <p>17 Q All right. May I please direct your</p> <p>18 attention to Slide 7?</p> <p>19 So isn't it correct that Dale Belman,</p> <p>20 he compared PPO salary to the other crafts based</p> <p>21 on the fixed top steps of each craft?</p> <p>22 A Yes.</p>

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1417	<p>1 Q So Dale Belman compared apples to</p> <p>2 apples; is that correct?</p> <p>3 A Apples to apples --</p> <p>4 Q And, in fact --</p> <p>5 A -- in terms of top step, yes.</p> <p>6 Q And, in fact, you're comparing apples</p> <p>7 to oranges because the other crafts are younger</p> <p>8 and have less seniority; is that correct?</p> <p>9 A I don't agree with that statement,</p> <p>10 but --</p> <p>11 Q These are based on the numbers that you</p> <p>12 believe, but do not know?</p> <p>13 A That's correct.</p> <p>14 Q Now, let's turn to benefits. May I</p> <p>15 please direct your attention to Slide 11?</p> <p>16 So you testified that the average</p> <p>17 employer contribution for the private sector is</p> <p>18 76 percent; is that correct?</p> <p>19 A That's correct.</p> <p>20 Q Is this private sector police?</p> <p>21 A No. That's the entirety of the private</p> <p>22 sector.</p>	1419
1418	<p>1 Q Do you know the average employer</p> <p>2 contribution for private sector police?</p> <p>3 A No, I do not.</p> <p>4 Q Do you know the average employer</p> <p>5 contribution for federal sector police?</p> <p>6 A No, I do not.</p> <p>7 Q May I please direct your attention to</p> <p>8 Slide 12?</p> <p>9 You testified that two-thirds of PPOs</p> <p>10 are enrolled in the more costly family plans; is</p> <p>11 that correct?</p> <p>12 A Yes.</p> <p>13 Q And you're aware that Postal Police</p> <p>14 Officers tend to be older; is that correct?</p> <p>15 A Tend to be older? I think when I</p> <p>16 looked at their average age and tenure -- when</p> <p>17 you say older, what are you comparing them to?</p> <p>18 Q I'm comparing them to the other crafts.</p> <p>19 A I -- I don't agree with that statement.</p> <p>20 The average age is right around where the average</p> <p>21 age is for the entirety of the Postal Service.</p> <p>22 Q And are you 100 percent certain of a</p>	1420
	<p>1 that fact, or could you please provide me some</p> <p>2 underlying documentation?</p> <p>3 A Sure. I could provide that to you.</p> <p>4 Q May I please direct your attention to</p> <p>5 Slide 13?</p> <p>6 In this slide, you're comparing to</p> <p>7 full-time private sector. Does that -- is that</p> <p>8 private sector police?</p> <p>9 A No, it is not. It includes police or</p> <p>10 it would include some subset -- some portion of</p> <p>11 that sample would assume -- include security</p> <p>12 guards, police officers. However, it's not</p> <p>13 specific to security guards or police officers.</p> <p>14 Q But you can get the data based on</p> <p>15 industry or occupation; is that correct, the</p> <p>16 hourly data?</p> <p>17 A Not for benefits, no. It doesn't go</p> <p>18 into those specific benefit cuts for specific</p> <p>19 occupations like it does for the wages. And so,</p> <p>20 when I was looking at these benefit costs, I was</p> <p>21 using the best data available to me.</p> <p>22 Q Could you break down this data based on</p>	
	<p>1 industry size?</p> <p>2 A There are various cuts of -- of the</p> <p>3 data, yes.</p> <p>4 Q Based on industry -- how many -- how</p> <p>5 many employees does the Postal Service employ?</p> <p>6 A All employees?</p> <p>7 Q (Nodding.)</p> <p>8 A Over 450,000 employees, 500,000.</p> <p>9 Q I'm going to hand to you what is going</p> <p>10 to be marked as Union Exhibit 102.</p> <p>11 So can you please tell me for the firm</p> <p>12 size of 500 workers or more --</p> <p>13 MS. SULLIVAN: Before you go further,</p> <p>14 can you explain what this is that we're looking</p> <p>15 at?</p> <p>16 BY MS. MCKINNON</p> <p>17 Q Can you please explain what this is?</p> <p>18 Do you recognize this document?</p> <p>19 A I don't recognize the document. I'm --</p> <p>20 Q This is from -- I'm going to represent</p> <p>21 to you that this is from the Employment Cost</p> <p>22 Index for Quarter 3, September 2013. And this</p>	

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1421	<p>1 is -- this represents for private industry by</p> <p>2 establishment employment size the hourly costs</p> <p>3 for employers.</p> <p>4 A I recognize the data on -- on the</p> <p>5 document. And, like I said, there are different</p> <p>6 cuts that you can take of the ECEC data --</p> <p>7 Q But you decided not to take the cut</p> <p>8 based on industry size, even though the Postal</p> <p>9 Service employs far more than 500 workers; is</p> <p>10 that correct?</p> <p>11 A And that's based on my experience</p> <p>12 during this round of collective bargaining, that</p> <p>13 we don't constrict ourselves to establishment</p> <p>14 size. We compare to the entirety of the private</p> <p>15 sector. That's why I made that distinction. I</p> <p>16 did not look at whether -- you know, the</p> <p>17 different sizes of establishments.</p> <p>18 Q And you also didn't differentiate based</p> <p>19 on occupation or industry?</p> <p>20 A No, I did not.</p> <p>21 Q Even though the statute states that the</p> <p>22 Postal Service will maintain compensation and</p>	1423	<p>1 employer hourly costs for health insurance</p> <p>2 contributions? Is it \$3.85?</p> <p>3 A It is.</p> <p>4 Q So that would be higher than the \$2.96</p> <p>5 that you put in on Slide 13; is that correct?</p> <p>6 A It would be roughly 65 cents less than</p> <p>7 the cost that the Postal Service pays for the --</p> <p>8 Q You did not answer my question. It's</p> <p>9 higher than \$2.96; is that correct?</p> <p>10 A That's correct.</p> <p>11 Q Thank you. May I please direct your</p> <p>12 attention to Slide 14?</p> <p>13 Did you compare paid leave of PPOs to</p> <p>14 paid leave for that of private sector police</p> <p>15 officers?</p> <p>16 A No, I did not.</p> <p>17 Q Did you compare it to federal sector</p> <p>18 police officers?</p> <p>19 A No, I did not.</p> <p>20 Q Did you break it down by industry size?</p> <p>21 A No, I did not.</p> <p>22 Q And isn't it the same for all other</p>
1422	<p>1 benefits for employees on a standard of</p> <p>2 comparability to compensation and benefits pay</p> <p>3 for comparable levels of work in the private</p> <p>4 sector?</p> <p>5 A As I said, when doing specific benefits</p> <p>6 comparisons, even the document that you've given</p> <p>7 me here, that doesn't differentiate between</p> <p>8 different levels of work. I'm using the best</p> <p>9 data that is available to me when I did these</p> <p>10 calculations.</p> <p>11 Q May I please direct your attention to</p> <p>12 Slide 14? Actually, one -- one second. I --</p> <p>13 I -- I realize I didn't make the point that I</p> <p>14 wanted to make with Union Exhibit 102. So I</p> <p>15 apologize.</p> <p>16 A Okay.</p> <p>17 Q So for a firm of 500 workers or more,</p> <p>18 can you please look at that -- the costs in that</p> <p>19 column?</p> <p>20 A Sure.</p> <p>21 Q What -- based off this number from the</p> <p>22 Department of Labor, what -- what are the</p>	1424	<p>1 Postal Service employees, except for newly-hired</p> <p>2 management?</p> <p>3 A That is correct. However, there are</p> <p>4 non-careers that don't earn -- non-bargaining</p> <p>5 unit -- excuse me -- non-careers that don't earn</p> <p>6 leave in this manner, career employees.</p> <p>7 Q But are Postal Service employees career</p> <p>8 employees?</p> <p>9 A The majority are.</p> <p>10 Q May I please direct your attention to</p> <p>11 Slide 16?</p> <p>12 This graph referencing the private</p> <p>13 sector, does this compare to private sector</p> <p>14 police?</p> <p>15 A No, it does not.</p> <p>16 Q Does it compare to federal sector</p> <p>17 police?</p> <p>18 A No, it does not.</p> <p>19 Q Does it break down by industry size?</p> <p>20 A No, it does not.</p> <p>21 Q May I please direct your attention to</p> <p>22 Slide 17?</p>

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1425	<p>1 Again, as you referenced full-time</p> <p>2 private sector, did you compare to private sector</p> <p>3 police?</p> <p>4 A It's consistent methodology throughout</p> <p>5 my comparisons.</p> <p>6 Q So, no; is that correct?</p> <p>7 A That's correct.</p> <p>8 Q Did you compare to federal sector</p> <p>9 police?</p> <p>10 A No, ma'am.</p> <p>11 Q Did you break it down by industry size?</p> <p>12 A No, ma'am.</p> <p>13 Q May I please direct your attention to</p> <p>14 Slide 18?</p> <p>15 Are these the retirement plans that</p> <p>16 would be used by federal sector police officers?</p> <p>17 A I have not reviewed that, but I believe</p> <p>18 so, with one caveat -- I'm not sure if -- if I</p> <p>19 mentioned this or not for the Thrift Savings</p> <p>20 Plan -- the Postal Service contributes an</p> <p>21 automatic 1 percent. So I'm not sure if that's</p> <p>22 consistent with all federal employees. Slight</p>	1427	<p>1 Q And it's not according to firm size?</p> <p>2 A No, it's not. It includes all firms.</p> <p>3 I will add that after --</p> <p>4 Q But it includes a firm that may have</p> <p>5 one person?</p> <p>6 A That's correct.</p> <p>7 Q And then may I please direct your</p> <p>8 attention to Slide 21?</p> <p>9 A Yes.</p> <p>10 Q Here, it states the health benefits for</p> <p>11 retirees are a vanishing practice in the private</p> <p>12 sector; is that correct?</p> <p>13 A That's correct.</p> <p>14 Q Is that -- is that statement true for</p> <p>15 the private sector police?</p> <p>16 A I have not done an analysis of that.</p> <p>17 Q And is that true for federal sector</p> <p>18 police?</p> <p>19 A I've not done an analysis of that.</p> <p>20 MS. MCKINNON: All right. Thank you</p> <p>21 for your time, Mr. Billingsley.</p> <p>22 THE WITNESS: Thank you.</p>
1426	<p>1 sidebar there, there's this thing that economists</p> <p>2 call default bias, whereas employees would</p> <p>3 actually have to act on contributing that 1</p> <p>4 percent. And so, when you compare the first</p> <p>5 system, our TSP automatic contribution, that</p> <p>6 default bias comes in where even if the private</p> <p>7 sector employer or federal offers a TSP plan in a</p> <p>8 similar manner, that automatic contribution of 1</p> <p>9 percent would generally yield more than a similar</p> <p>10 plan that doesn't offer that provision.</p> <p>11 Q But you're not sure whether --</p> <p>12 A I'm not sure if there's an automatic</p> <p>13 contribution portion of that.</p> <p>14 Q Okay. And then on -- may I direct your</p> <p>15 attention to Slide 19, please?</p> <p>16 A Yes.</p> <p>17 Q Again, the graph referencing the</p> <p>18 full-time private sector, this isn't the private</p> <p>19 sector police?</p> <p>20 A It is not.</p> <p>21 Q It's not the federal sector police?</p> <p>22 A No, ma'am.</p>	1428	<p>1 ARBITRATOR OLDHAM: Anything else?</p> <p>2 MS. SULLIVAN: Yes. One second.</p> <p>3 REDIRECT EXAMINATION BY COUNSEL FOR</p> <p>4 THE</p> <p>5 POSTAL SERVICE</p> <p>6 BY MS. SULLIVAN</p> <p>7 Q Let's take a look at Union Exhibit 102.</p> <p>8 A Okay.</p> <p>9 ARBITRATOR DUFEK: What slide that?</p> <p>10 MR. STEPHENS: This is --</p> <p>11 ARBITRATOR DUFEK: Union.</p> <p>12 MS. SULLIVAN: This is --</p> <p>13 ARBITRATOR DUFEK: I got it.</p> <p>14 MS. SULLIVAN: It says Economic News</p> <p>15 Release at the top.</p> <p>16 BY MS. SULLIVAN</p> <p>17 Q As far as paid leave for firms with 500</p> <p>18 workers or more, what -- what is the average cost</p> <p>19 per hour, according to the Union Exhibit 102?</p> <p>20 A For 500 workers or more, it's \$3.62.</p> <p>21 Q And turning back to your slide on paid</p> <p>22 leave, which I believe is Slide 17 --</p> <p>23 A Yes.</p>

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1429	<p>1 Q -- how much how much does the Postal</p> <p>2 Service pay per hour for PPOs?</p> <p>3 A \$5.23.</p> <p>4 Q Looking at health benefits on Union</p> <p>5 Exhibit 102, what is the average cost per hour</p> <p>6 for firms with 500 workers or more?</p> <p>7 A \$3.85.</p> <p>8 Q And what does the Postal Service pay</p> <p>9 per hour for PPOs for health benefits?</p> <p>10 A \$4.50.</p> <p>11 Q Now, looking at retiree health -- or</p> <p>12 retirement on Union Exhibit 102, what is the</p> <p>13 average cost per hour for firms with 500</p> <p>14 employees or more?</p> <p>15 A For this one, you'd have to add in the</p> <p>16 retirement, and I believe -- give me one second</p> <p>17 while I do that.</p> <p>18 Yeah. So I've added in the Social</p> <p>19 Security and Medicare portion of that, so it</p> <p>20 would be two -- the 2.25 for retirement and</p> <p>21 savings, plus the 3.09 -- actually, the 2.41.</p> <p>22 And so that would be 4.66, as compared to the</p>	1431	<p>1 slowly. It's my understanding from your</p> <p>2 testimony that these are actual dollar figures.</p> <p>3 THE WITNESS: That's correct.</p> <p>4 ARBITRATOR DUFEK: And that you did the</p> <p>5 calculations yourself.</p> <p>6 THE WITNESS: That's correct.</p> <p>7 ARBITRATOR DUFEK: And that this</p> <p>8 represents the average cost for a Postal Police</p> <p>9 Officer in the United States Postal Service.</p> <p>10 THE WITNESS: That's correct.</p> <p>11 ARBITRATOR DUFEK: So when you look at</p> <p>12 that bottom line number of 90,334, would that be</p> <p>13 what the executives in this building frequently</p> <p>14 refer to as the unit labor cost?</p> <p>15 THE WITNESS: That's correct.</p> <p>16 ARBITRATOR DUFEK: And if you look back</p> <p>17 at the 2010 round of bargaining, would you say</p> <p>18 the central thesis from the Postal Service's</p> <p>19 vantage point was addressing unit labor costs for</p> <p>20 the need to reduce unit labor costs?</p> <p>21 THE WITNESS: Absolutely. I think</p> <p>22 we've seen that through all of our agreements.</p>
1430	<p>1 PPOs of \$6.16.</p> <p>2 MS. SULLIVAN: Okay. I have no --</p> <p>3 ARBITRATOR OLDHAM: I'm sorry, the PPO</p> <p>4 figure? I just wasn't quite caught up with --</p> <p>5 THE WITNESS: What's that?</p> <p>6 ARBITRATOR DUFEK: The PPO figure?</p> <p>7 THE WITNESS: The PPO figure for</p> <p>8 retirement was \$6.16.</p> <p>9 MS. SULLIVAN: That's all I have.</p> <p>10 ARBITRATOR OLDHAM: Thank you.</p> <p>11 MS. MCKINNON: No further questions.</p> <p>12 ARBITRATOR OLDHAM: Thank you very</p> <p>13 much.</p> <p>14 ARBITRATOR DUFEK: I have one.</p> <p>15 ARBITRATOR OLDHAM: Sorry.</p> <p>16 ARBITRATOR DUFEK: Jim, do you want to</p> <p>17 go first?</p> <p>18 ARBITRATOR BJORK: Oh, go ahead.</p> <p>19 ARBITRATOR DUFEK: I just have one,</p> <p>20 Jim.</p> <p>21 I want you to turn to the last slide,</p> <p>22 and I want to go through this a little bit more</p>	1432	<p>1 You can get at unit labor costs different ways,</p> <p>2 but the primary objective was to reduce unit</p> <p>3 labor costs, so bring those costs in line with</p> <p>4 our product -- the products that support those</p> <p>5 costs. And as we saw from -- from Curtis</p> <p>6 Whiteman, as our first mail declines, as that</p> <p>7 highest margin product diminishes, we have to</p> <p>8 reduce our unit labor costs.</p> <p>9 ARBITRATOR DUFEK: Could you provide</p> <p>10 this panel the union -- unit labor costs, at</p> <p>11 least as we would pay them, to our outside</p> <p>12 contract security force?</p> <p>13 THE WITNESS: I believe I can, yes, and</p> <p>14 I'll look into that.</p> <p>15 ARBITRATOR DUFEK: Thank you.</p> <p>16 ARBITRATOR BJORK: On Slide 5, the --</p> <p>17 the 2012 column, that takes into account the</p> <p>18 lower tiered employees from the last round of</p> <p>19 bargaining?</p> <p>20 ARBITRATOR OLDHAM: Which page are you</p> <p>21 on?</p> <p>22 ARBITRATOR BJORK: Slide 5.</p>

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1433	<p>1 THE WITNESS: I'm not quite sure.</p> <p>2 I don't -- we haven't hired very many new -- new</p> <p>3 APWU employees. So if it did, it would be quite</p> <p>4 a small portion, and I -- I don't believe so, but</p> <p>5 I could -- I can confirm that for you.</p> <p>6 ARBITRATOR BJORK: Okay. How about for</p> <p>7 the carriers? Does that include CCAs?</p> <p>8 THE WITNESS: No. This is for career</p> <p>9 only.</p> <p>10 ARBITRATOR BJORK: And then, on Slide</p> <p>11 7, these numbers would have significantly changed</p> <p>12 from 2013, correct?</p> <p>13 THE WITNESS: In 2013, the APWU, the</p> <p>14 rural carriers have experienced their wage</p> <p>15 freeze, and so they did receive the -- the</p> <p>16 increases awarded in -- in their contracts.</p> <p>17 Now, the reason why I chose 2012 is,</p> <p>18 again, because that was the end of the PPO</p> <p>19 contract. So that's -- that's why I chose the</p> <p>20 average in 2012.</p> <p>21 ARBITRATOR BJORK: Okay. I think</p> <p>22 that's it. I think that's all I have. Thanks.</p>	1435
1434	<p>1 ARBITRATOR OLDHAM: Thank you.</p> <p>2 THE WITNESS: Thank you.</p> <p>3 (Witness excused.)</p> <p>4 MS. GONSALVES: We need about two</p> <p>5 minutes just to get the next PowerPoint up and</p> <p>6 switch seats. And, Arlus, I would request if you</p> <p>7 could do the same for us as we did for you and</p> <p>8 reduce any requests for information to writing.</p> <p>9 MR. STEPHENS: Absolutely. Will do.</p> <p>10 ARBITRATOR OLDHAM: Sir, you'll need to</p> <p>11 stand up and be sworn in as a witness.</p> <p>12 WHEREUPON,</p> <p>13 TOM PAVLIK</p> <p>14 called as a witness, and having been first duly</p> <p>15 sworn, was examined and testified as follows:</p> <p>16 THE WITNESS: I do.</p> <p>17 MS. PENN: I'm Sonya Penn. I'm a labor</p> <p>18 relations specialist, and I'll be presenting the</p> <p>19 next witness for the Postal Service.</p> <p>20 ARBITRATOR OLDHAM: Thank you.</p> <p>21 MS. PENN: You disappeared on me.</p> <p>22 THE WITNESS: What's that?</p>	1436

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1437	<p>1 may be different. It could be that they want to</p> <p>2 put a little bit more leverage into incentive</p> <p>3 plans, or it could be that they just want to make</p> <p>4 sure that their program is easy to administer.</p> <p>5 To me, it really kind of comes down</p> <p>6 to -- I think as you look at pay, the things that</p> <p>7 organizations talk to us about are relative to</p> <p>8 are we having some recruitment problems, you</p> <p>9 know, is our compensation competitive, or maybe</p> <p>10 we have retention problems, which is maybe our --</p> <p>11 we're able to recruit people in, but can we keep</p> <p>12 people here, et cetera.</p> <p>13 And certainly from a cost management</p> <p>14 perspective, we do a significant amount of work</p> <p>15 in the health care arena. Health care is about</p> <p>16 50 percent of your entire operating expense</p> <p>17 related to salary benefits. So most of our</p> <p>18 clients, that's a key component relative to</p> <p>19 what's happening in today's market of being cost</p> <p>20 efficient, cost effective.</p> <p>21 Q So, in doing this type of work, you're</p> <p>22 familiar with data collection methodologies?</p>	1439	<p>1 findings regarding the Postal Service in interest</p> <p>2 arbitration or other proceedings?</p> <p>3 A I have. I have. I presented on the --</p> <p>4 to the NAPS and recently to some of the call</p> <p>5 center positions that are relatively new.</p> <p>6 Q Okay. And did you have an occasion to</p> <p>7 prepare a PowerPoint today?</p> <p>8 A I did.</p> <p>9 Q And this is it?</p> <p>10 A This is it.</p> <p>11 Q Okay. Can you please turn to Slide</p> <p>12 3 -- 2?</p> <p>13 ARBITRATOR OLDHAM: Sonya, where are we</p> <p>14 in the book?</p> <p>15 MS. PENN: Slide 2. Oh, I forgot to</p> <p>16 tell you. We're at Postal Volume 2, Tab G.</p> <p>17 Everyone set?</p> <p>18 ARBITRATOR DUFEK: Slide 2?</p> <p>19 MS. PENN: Slide 2.</p> <p>20 BY MS. PENN</p> <p>21 Q What did we request that you do?</p> <p>22 A So we were asked to conduct a job</p>
1438	<p>1 A Yes.</p> <p>2 Q Okay. And what is your role at</p> <p>3 Sullivan Cotter? You touched on your duties.</p> <p>4 A Sure. So, besides the consulting, I</p> <p>5 manage the Chicago office, focus on development</p> <p>6 of client relationships within the Midwest</p> <p>7 region.</p> <p>8 Q Okay. And how long have you -- how</p> <p>9 long has Sullivan Cotter performed analyses for</p> <p>10 the Postal Service?</p> <p>11 A I believe it's been 22 years coming up</p> <p>12 in March. My history is, before joining Sullivan</p> <p>13 Cotter, I was at Mercer, and that's where I met</p> <p>14 an individual, John Sullivan, who did work with</p> <p>15 the Postal Service. And '91 is when I started</p> <p>16 working on some of the underlying analytics under</p> <p>17 his direction for the Postal Service, as far as</p> <p>18 back 20-some years.</p> <p>19 Q So you, yourself, have been doing</p> <p>20 postal analysis for 20-some-odd years?</p> <p>21 A Yes.</p> <p>22 Q Okay. And have you presented your</p>	1440	<p>1 analysis and pay comparability study for the PPO</p> <p>2 position in a manner consistent with the Postal</p> <p>3 Reorganization Act, which is to focus on</p> <p>4 comparable jobs in the private sector and then</p> <p>5 national market data.</p> <p>6 Q In order to perform this study, did you</p> <p>7 perform an analysis of the postal -- post office</p> <p>8 position -- Postal Police Officer position?</p> <p>9 A I did.</p> <p>10 Q Excuse me.</p> <p>11 A I did.</p> <p>12 Q Okay. And specifically what position</p> <p>13 did you look at?</p> <p>14 A Sure. It was the Postal Police</p> <p>15 Officer. There is a job description that was</p> <p>16 provided to Sullivan Cotter. It's in Attachment</p> <p>17 B of our report.</p> <p>18 Q Thank you. Could you turn to Slide 3?</p> <p>19 What steps did you take in your</p> <p>20 analysis?</p> <p>21 A So a -- a pay comparability job</p> <p>22 analysis process is really kind of outlined here</p>

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1441	<p>1 on -- on Slide 3, so really get an understanding</p> <p>2 of the job, then identify relevant survey sources</p> <p>3 that may reflect the -- the market you're</p> <p>4 competing in or that you're comparing yourself</p> <p>5 to, identify comparable jobs within those surveys</p> <p>6 and then extract that market data from those</p> <p>7 published surveys. And the last step is then</p> <p>8 just kind of a competitive analysis to compare</p> <p>9 our current levels to that market that we've</p> <p>10 collected.</p> <p>11 Q Could you turn to Slide 4?</p> <p>12 In your study of the PPO position, did</p> <p>13 you go beyond what you would have normally done</p> <p>14 for a pay comp study?</p> <p>15 A Sure. So if you -- if you look at this</p> <p>16 slide really -- and, again, understand the job,</p> <p>17 so you have to look at the -- the duties, the</p> <p>18 responsibilities, the knowledge, work</p> <p>19 environment, unique skills, et cetera. That's</p> <p>20 pretty consistent as far as trying to just</p> <p>21 understand the job, the analysis part.</p> <p>22 The typical approaches in the next</p>	1443
1442	<p>1 bullet, I will tell you that the vast majority of</p> <p>2 the time we stop that first half, which is</p> <p>3 reviewing job documentation. So many of our</p> <p>4 clients will say, we're going to provide you --</p> <p>5 you know, we want these 20 jobs to be -- to be</p> <p>6 assessed. Here's the job descriptions. One of</p> <p>7 the things we often ask is are they up to date,</p> <p>8 is there anything that is missing from the job</p> <p>9 description. Most often, the group we're working</p> <p>10 with, whether it's HR or the operating</p> <p>11 department, will just kind of provide any insight</p> <p>12 to -- to that difference.</p> <p>13 Beyond that, the other three or four</p> <p>14 hashes that you see here are -- there are certain</p> <p>15 times where you go and do a little bit more</p> <p>16 in-depth type of analysis. So a direct</p> <p>17 observation, I've seen that historically if</p> <p>18 you're looking at blue collar jobs and you're</p> <p>19 trying to develop, maybe, a skill-based pay. You</p> <p>20 want to see the specific skills that are</p> <p>21 involved. Not really relevant exactly here, but</p> <p>22 we actually did part of that, interviews with</p>	1444

1 direct supervisors or the incumbents themselves

2 to clarify anything relative to the job

3 description, or once in a while, we'll do

4 questionnaires. We actually send out a hard copy

5 questionnaire to each employee and ask them what

6 would they do in their job.

7 But the vast majority, if you get that

8 first row where are job descriptions accurate, it

9 reflects the knowledge and skills needed for the

10 job. Most of the time, that's kind of where we

11 stop. What we did with the Postal Service is we

12 kind of did the on-site visits. And the on-site

13 visits were then we wanted to meet with the

14 managers to say, is this job description still

15 accurate and up to date, are there things going

16 on in your facility that are not captured in the

17 job description, okay, to just help us clarify

18 and understand the job description. The same

19 thing, the job description on page 2 describes

20 the knowledge and skills that are required for

21 the PPO position.

22 Q And does your slide reflect what sites

1 you visited for the Postal Service?

2 A So this go-round, we went to New York,

3 Chicago, Miami and Fort Worth. We were asked to

4 do a similar assessment in, I believe it was,

5 2007, '8 kind of time frame, and at that point in

6 time, we went to Pittsburgh, New York City, Los

7 Angeles and Chicago and did on-site interviews as

8 well.

9 Q Could you please turn to Slide 5?

10 You already told me that you reviewed

11 the PPO job description. What did you learn

12 about the position based on your review of it?

13 A Right. So what I have on Slide 5,

14 1 through 9, is the actual front page that lists

15 the duties and responsibilities for the PPO job,

16 which is in Appendix B, but I just thought it

17 would be easier -- sorry for the font size. I

18 still tried to make it as large as I could. But

19 in essence, after the site visits, we confirmed

20 that these duties and responsibilities are up to

21 date, reflective of what the PPOs do.

22 You know, there's some -- I think what

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1445	<p>1 you'll find when you look at from an HR 2 perspective trying to write a job description 3 that captures the job, it can't be employee 4 specific. You know, so we walked in, we had 5 conversations. You know, there's a little bit of 6 difference whether you are on tour 1 or tour 2 or 7 tour 3. But, again, the discussion was is this 8 job description really accurate and reflective of 9 PPOs, and the response was yes.</p> <p>10 Q Okay. Did you then identify relevant 11 survey sources?</p> <p>12 A Yes. That's kind of the next step on 13 Slide 6, if you will. Again, so we looked 14 through those surveys that are commercially 15 available, conducted by independent firms, and, 16 again, the notion of they wanted to reflect 17 private sector employers, national market data, 18 and then that would contain jobs comparable to 19 the PPO job.</p> <p>20 Q And did you find a strong match?</p> <p>21 A Yes. So there's two surveys that we 22 were able to identify and look at. Towers Watson</p>	1447	<p>1 this survey annually. So each year is a comp 2 department -- I mean, we get asked to participate 3 in these surveys. It's going to say, here's the 4 100 different jobs we want to collect information 5 on. Towers and Mercer have survey teams that 6 collect that information, review it, make sure it 7 looks right, doing follow-up questions to make 8 sure, and then they summarize and report that 9 survey back out to the participants.</p> <p>10 Q And this was -- this is national survey 11 data?</p> <p>12 A Yes.</p> <p>13 Q Okay. And the surveys, you said, had 14 similar jobs?</p> <p>15 A Yes. Yes.</p> <p>16 Q Okay. Could you turn to Slide 7?</p> <p>17 A Okay.</p> <p>18 Q What job did you find in the Towers 19 Watson survey that was comparable with the postal 20 PPO job?</p> <p>21 A So the Towers Watson survey has a job 22 called security armed, and then, in their survey,</p>
1446	<p>1 Data Services, they've got the 2012 office and 2 business support report, and Mercer HR 3 consulting.</p> <p>4 And just -- you know, these two 5 organizations conduct a number of different 6 surveys. I don't have the exact number. I would 7 guess in the neighborhood of maybe 20 to 30 8 different surveys. In the case of Towers Watson, 9 theirs are more by position level, so they're 10 going to have an office and business support. 11 They may have a technical. They may have a 12 skilled trades. They may have a professional, 13 supervisory, management executive, so more by 14 level.</p> <p>15 Mercer does theirs a little bit more by 16 industry, so the benchmark survey is kind of all 17 industry, but they also do a survey for health 18 care industry. They do a survey for 19 pharmaceutical industry. Again, that could have 20 a different number of jobs within it.</p> <p>21 But both of these organizations have a 22 survey group that's responsible for conducting</p>	1448	<p>1 they report data by -- by level. And we selected 2 Level 2, intermediate. The -- the five hash 3 marks in the middle of this slide -- guards 4 property against damage/theft, makes periodic 5 tours, ensures identification, investigates 6 disturbances, hold a valid firearm -- that's the 7 job summary that's reported by Towers Watson. 8 And, again, the Level 2 intermediate was really 9 reflective of the knowledge and skills that were 10 required at that level. So there's a Level 1, 11 which is entry level. We thought that was a 12 little bit too low.</p> <p>13 Q Okay. And is this position, this 14 Towers Watson position, reflected in your 15 appendix?</p> <p>16 A Yes. Yes, it is.</p> <p>17 Q Okay. At --</p> <p>18 A Appendix C.</p> <p>19 Q Okay. Great. And what about Mercer, 20 did you use --</p> <p>21 A So Mercer had what -- their job was 22 called security guard. Again, we thought very</p>

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1449	<p>1 similar, but the Mercer survey does not report</p> <p>2 whether it's armed or unarmed. And the issue is</p> <p>3 with the Postal Police Officer job, that is an</p> <p>4 armed position. And we thought that data then</p> <p>5 really wouldn't capture only those positions that</p> <p>6 were armed security guards.</p> <p>7 Q Okay. Great. Could you turn to Slide</p> <p>8 8, please?</p> <p>9 A Uh-huh.</p> <p>10 Q So what did you do with the Towers</p> <p>11 Watson data that you --</p> <p>12 A So the next step then, really, is once</p> <p>13 you identify the possible job match in the survey</p> <p>14 is to extract the market data from the survey.</p> <p>15 And since the surveys are reported at kind of</p> <p>16 different points in times of the year, we aged</p> <p>17 the data to reflect April 2012, which is the end</p> <p>18 of the PPO contract.</p> <p>19 Q Okay.</p> <p>20 A So we took the market data from</p> <p>21 February 2012 and adjusted it forward, using the</p> <p>22 ECI from the BLS, and that's really just the ECI</p>	1451	<p>1 item by item -- and if you want to go back, that</p> <p>2 was that one slide that lists items 1 through 9.</p> <p>3 We just made sure is this still an active --</p> <p>4 Q Okay.</p> <p>5 A -- responsibility that's being done.</p> <p>6 We got -- completed doing that. They would take</p> <p>7 us on a tour of the facilities.</p> <p>8 So, in New York, they have a couple</p> <p>9 areas where people are standing posts. We were</p> <p>10 able to walk over and see what that meant, how</p> <p>11 that worked, letting trucks in and out,</p> <p>12 et cetera. Other places, we were able to go out</p> <p>13 to the airport to visit the air facilities. So</p> <p>14 it was a good opportunity to see the PPOs. We</p> <p>15 didn't really interview the PPOs, but the</p> <p>16 supervisors and managers had previously been</p> <p>17 PPOs.</p> <p>18 Q Okay. So let me take you to -- I took</p> <p>19 you off course -- back to slide...</p> <p>20 A Slide?</p> <p>21 Q Nine, please.</p> <p>22 A All right.</p>
1450	<p>1 for wages and salaries that are reported.</p> <p>2 Q Okay. And is this approach consistent</p> <p>3 with generally accepted compensation practices?</p> <p>4 A Yes. Everything -- everything I've</p> <p>5 gone through is the job analysis, the job match,</p> <p>6 pulling the market data out of the survey and</p> <p>7 adjusting forward to a common point in time.</p> <p>8 Yes, that's very consistent.</p> <p>9 Q Now, before we move forward, one</p> <p>10 back-up question. When you interviewed the</p> <p>11 supervisors, did they give you information about</p> <p>12 their former duties, like whether they had been</p> <p>13 involved with PPO?</p> <p>14 A Yes. Yes. Actually -- so the -- the</p> <p>15 majority of the individuals we talked to had</p> <p>16 previously been PPOs and had moved up. And, you</p> <p>17 know, again, we talked with a -- the site visits</p> <p>18 were -- you know, just maybe to clarify for the</p> <p>19 group, we provided the current up-to-date PPO job</p> <p>20 description. We met with captains, we met with</p> <p>21 sergeants and individuals, and we would share the</p> <p>22 job description, and we walked through kind of</p>	1452	<p>1 Q What did you find with respect to the</p> <p>2 data that you looked at?</p> <p>3 A So when we compiled the market data</p> <p>4 from Towers Watson, just really going across</p> <p>5 columnwise, there were 25 organizations in the</p> <p>6 survey that reported data for 1,588 incumbents</p> <p>7 that they matched to that same level of security,</p> <p>8 armed level U2, intermediate. In the next four</p> <p>9 columns over are the market base salary data</p> <p>10 that's been adjusted forward to April 2012. So</p> <p>11 the average base salary in the market for private</p> <p>12 sector positions that are comparable is 42,956.</p> <p>13 And in the next three columns, the surveys report</p> <p>14 the 25th, 50th and 75th percentiles.</p> <p>15 Q Great. Could you turn to Slide 10,</p> <p>16 please?</p> <p>17 So did you then compare the average</p> <p>18 base salary in the Towers Watson survey to the</p> <p>19 USPS average base salary for PPOs?</p> <p>20 A Yes. That's right.</p> <p>21 Q What did you find?</p> <p>22 A So the next step in the five-step</p>

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1453	<p>1 process is then to compare the organization's pay</p> <p>2 levels to the market data. And so the first row</p> <p>3 is the April 2000 average base salary for the</p> <p>4 PPOs, which is 53,171. The next row where you</p> <p>5 see the 42,956, that was from the prior page,</p> <p>6 which shows the market data, so that would</p> <p>7 indicate a premium of about \$10,000 per employee,</p> <p>8 or about a 24 percent pay premium to the market.</p> <p>9 Q Okay. And you said April 2000. You</p> <p>10 meant 2012, right? April 2012?</p> <p>11 A I'm sorry, yes, April 2012. Thank you.</p> <p>12 Q All right. So your overall conclusion</p> <p>13 was that there was a wage premium?</p> <p>14 A Yes.</p> <p>15 Q Okay. Could you turn to Slide 11?</p> <p>16 Did you have occasion to assess the PPO</p> <p>17 position against the OPM Grade Evaluation Guide</p> <p>18 for Police and Security Guard positions?</p> <p>19 A Yes, we did.</p> <p>20 Q And why did you do that? What happened</p> <p>21 with that?</p> <p>22 A So -- so one of the -- one of the</p>	1455
1454	<p>1 old days, it used to be called the point factor</p> <p>2 system. You have a number of factors about the</p> <p>3 job, and then you assess each factor on a number</p> <p>4 of levels. You total up the points, and if you</p> <p>5 have two jobs that equal about the same number of</p> <p>6 points, the view is those jobs are of equal value</p> <p>7 and should be paid similarly.</p> <p>8 So this was before -- it used to be --</p> <p>9 there's company called Hay, and they do a point</p> <p>10 factor plan. They were very big in a lot of</p> <p>11 large companies. And so the process that you go</p> <p>12 through is to say, you know, knowledge, what's</p> <p>13 required? Is it a Level 1 where it's, you know,</p> <p>14 high school? Level 2 might be associate's.</p> <p>15 Three might be a bachelor's. So you just assess</p> <p>16 the job at each of those and you total up all the</p> <p>17 points. Once you have the number of points, it</p> <p>18 tells you it should be pay grade X.</p> <p>19 Q Okay. And is the OPM guide attached to</p> <p>20 the presentation?</p> <p>21 A Yes. That is Appendix D. It's a</p> <p>22 lengthy read of maybe 20-some pages.</p>	1456
1454	<p>1 questions that was asked to me is, you know, how</p> <p>2 do we look at this job. You match it to security</p> <p>3 guard. You know, the title is PPO, Postal Police</p> <p>4 Officer, what you consider police. And when we</p> <p>5 looked through the first section to understand</p> <p>6 the job, we looked at market data.</p> <p>7 We did look a little bit through some</p> <p>8 of the police descriptions and responsibilities</p> <p>9 as well, and so, for reference purposes, looked</p> <p>10 to see what would the federal government be</p> <p>11 relative to this position. And the -- the</p> <p>12 approach they used is a little bit different.</p> <p>13 It's still a very valid approach, but it's a</p> <p>14 little bit different than the process I just</p> <p>15 walked through.</p> <p>16 Q Okay. And can you just briefly give me</p> <p>17 a little bit of background on the OPM Grade</p> <p>18 Evaluation Guide?</p> <p>19 A Sure. So --</p> <p>20 Q How does that work?</p> <p>21 A Yeah. So, in essence, if you -- if you</p> <p>22 look at the way these systems are set up -- the</p>	1456

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1457	<p>1 11 and 12 about knowledge, I rated it a Level 2.</p> <p>2 Q Okay.</p> <p>3 A And it says right in the guide, Level</p> <p>4 2, on knowledge, that equals 200 points.</p> <p>5 Q Okay.</p> <p>6 A Okay. So you just go through each of</p> <p>7 those factors. When you add them all up, the</p> <p>8 total points are 880 points.</p> <p>9 Q Okay. And then did you corroborate</p> <p>10 your analysis?</p> <p>11 A Yes. After I went through that, had an</p> <p>12 opportunity to come out and meet with David</p> <p>13 Bowers, actually, to go through the Postal Police</p> <p>14 Officer job description and, you know, went</p> <p>15 through this guide, you know, factor by factor,</p> <p>16 level by level and had a discussion of what level</p> <p>17 should it be. And I did not share with him my</p> <p>18 evaluation.</p> <p>19 Q Okay.</p> <p>20 A It was let's just sit down, the two of</p> <p>21 us, and go through knowledge, what's required.</p> <p>22 When you read knowledge, I think you get some</p>	1459	<p>1 ARBITRATOR OLDHAM: I have, I think.</p> <p>2 THE WITNESS: Okay. So -- well, I want</p> <p>3 to take a step back and go back to page 10.</p> <p>4 So page 10 right in the middle, it says</p> <p>5 Level 1-2, 200 points. So this is the beginning</p> <p>6 of Level 2. And what they did in this guide is</p> <p>7 they gave us -- here's the description of a</p> <p>8 police officer type of knowledge. Okay. And if</p> <p>9 you get past that, once you read through page 10</p> <p>10 and 11, then page 12 says here's the security</p> <p>11 guard description for knowledge.</p> <p>12 So this -- this was not -- this is not</p> <p>13 a two-bullet exercise. David Bowers and I went</p> <p>14 through this in great detail to go through, and</p> <p>15 we read through these. And there were some</p> <p>16 things, you know, just if you -- if you look at</p> <p>17 the difference between the two, there's</p> <p>18 similarities in the level of knowledge. And it</p> <p>19 says that, you know, that there's, you know,</p> <p>20 knowledge of commonly used rules, procedures,</p> <p>21 operations, et cetera. But there's certain</p> <p>22 things that really distinguish and differentiate.</p>
1458	<p>1 clarification as to, yeah, this is what should be</p> <p>2 matched to the PPO position.</p> <p>3 Q Okay.</p> <p>4 ARBITRATOR OLDHAM: Can you show us</p> <p>5 that page?</p> <p>6 THE WITNESS: Sure. And I don't know</p> <p>7 how your binders are set up. Is there a divider</p> <p>8 between my attachments?</p> <p>9 MS. PENN: No. It's right at the back</p> <p>10 of it.</p> <p>11 THE WITNESS: Okay. So if you go past</p> <p>12 mine, then there should be a bio about me. Then</p> <p>13 there's the Watson. Then it actually turns --</p> <p>14 what they would say portrait versus landscape,</p> <p>15 that says the OPM guide.</p> <p>16 ARBITRATOR OLDHAM: Yes.</p> <p>17 THE WITNESS: The bottom of that, try</p> <p>18 to get to page 11 and 12 if you can. And I will</p> <p>19 give you a moment to --</p> <p>20 ARBITRATOR OLDHAM: I think I've got</p> <p>21 them.</p> <p>22 THE WITNESS: What's that?</p>	1460	<p>1 So, as I look at page 11, under the police</p> <p>2 officer, informing individuals about their rights</p> <p>3 of suspects or the witnesses, operating radar or</p> <p>4 other speed detection equipment and pursuing</p> <p>5 speeding vehicles, that's not something that a</p> <p>6 PPO does.</p> <p>7 Q Okay. So -- I'm sorry.</p> <p>8 A But on page 12, there's a couple</p> <p>9 that -- that better describe right in the middle,</p> <p>10 the -- the third double, hash, one, patrolling a</p> <p>11 prescribed area, okay, by vehicle or foot, to</p> <p>12 check locks, alarms, fences, gates, other</p> <p>13 barriers, patrolling installation perimeters to</p> <p>14 detect faulty fences, defective equipment,</p> <p>15 trespassing violations, et cetera.</p> <p>16 So, as we went through these, even</p> <p>17 though there's some similarities between police</p> <p>18 officers and the security guards relative to some</p> <p>19 of these things that are described in here, once</p> <p>20 you get into this, there are some very clear</p> <p>21 delineations of we're not a Level 2 knowledge</p> <p>22 police officer, but we're clearly a Level 2</p>

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1461	<p>1 security guard worth 200 points.</p> <p>2 Q So you and Mr. Bowers independently</p> <p>3 came up with the same conclusion based on the</p> <p>4 OPM --</p> <p>5 A That's correct.</p> <p>6 Q -- guidelines?</p> <p>7 A That's correct. That's correct.</p> <p>8 For those of you that have it, if you</p> <p>9 go back to page 9 -- and I'm probably dragging</p> <p>10 this out, but I want you to understand it. So</p> <p>11 page 9 has the grade conversion table, and the</p> <p>12 grade conversion table says if you're between 855</p> <p>13 points and 1,100 points, you're a GS-5.</p> <p>14 Q Okay.</p> <p>15 A If you go back to the grid here without</p> <p>16 flipping around pages, page 12, where we did the</p> <p>17 evaluation, came up with 880 points. That's</p> <p>18 clearly a grade GS-5. And it will tell you that</p> <p>19 if you look at these points and you go through,</p> <p>20 you can realize that if somebody said, boy,</p> <p>21 knowledge, that's not a 2, that's a 3, it goes up</p> <p>22 by 150 points. It turns out to be a total of</p>	1463	<p>1 these four cities, I just collected information</p> <p>2 for these four cities. There is the rest of U.S.</p> <p>3 that you can apply and use, but we collected that</p> <p>4 information.</p> <p>5 Q And before you move on, did you attach</p> <p>6 the GS pay tables reflected in your report at</p> <p>7 Appendix E?</p> <p>8 A Yes. They are Appendix E. The</p> <p>9 individual tables are attached.</p> <p>10 Q Okay. And did you look the pay tables</p> <p>11 for various localities? I don't recall whether</p> <p>12 you said that.</p> <p>13 A Yes. Yes, I did, and I looked at the</p> <p>14 four that we did site visits for.</p> <p>15 Q Okay. And what did you conclude?</p> <p>16 A Well, again, what we -- again, from a</p> <p>17 reference point, we went to step 10 of each</p> <p>18 salary table, which is the top step of each</p> <p>19 table, and extracted that pay data. And it might</p> <p>20 just be easier if I can demonstrate on the next</p> <p>21 page, page 14.</p> <p>22 Q Slide 14.</p>
1462	<p>1 1,030, which still is a GS-5.</p> <p>2 Q Okay.</p> <p>3 A So looking at this -- you know, even if</p> <p>4 you could say there's one factor that's off, it's</p> <p>5 not going to change this. It's a GS-5.</p> <p>6 Q Factor that's off, rating them higher</p> <p>7 on level --</p> <p>8 A You'd have to go through all these</p> <p>9 factors and adjust all of them up one --</p> <p>10 Q Okay.</p> <p>11 A -- to move it to a 6 or 7. And then,</p> <p>12 clearly, as you read through these, you really</p> <p>13 get the feeling of clearly a Level 2 on</p> <p>14 knowledge. It's -- you start reading level 3,</p> <p>15 and you realize this is not --</p> <p>16 Q Okay.</p> <p>17 A -- a PPO job.</p> <p>18 Q Okay. Great. Could you turn to Slide</p> <p>19 13? So then you touched on that you looked at</p> <p>20 the GS-5 pay table. Did you review it?</p> <p>21 A Yes. So the -- the GS-5 table is</p> <p>22 available on the OPM website. Because we visited</p>	1464	<p>1 A So the Postal Service's average base</p> <p>2 salary is 53,171 as of April 2012.</p> <p>3 Q Yes.</p> <p>4 A Okay. And then next row is the New</p> <p>5 York/Newark/Bridgeport salary table. Top step</p> <p>6 for GS-5 is 45,898. It's about a \$7,000 pay</p> <p>7 premium compared to that for a GS-5 position.</p> <p>8 Q Okay.</p> <p>9 A And, as you can see, it ranges a little</p> <p>10 bit by locality.</p> <p>11 Q Great. Thank you. So can you turn to</p> <p>12 Slide 15?</p> <p>13 What was your overall conclusion with</p> <p>14 respect to job comparability and pay premiums of</p> <p>15 the PPO position of the Postal Service?</p> <p>16 A Sure. It's really -- just as it's</p> <p>17 summarized there. We felt the security armed</p> <p>18 Level 2 was directly comparable to the PPO job.</p> <p>19 When you looked at the April 2012 time frame, the</p> <p>20 PPOs have an average base salary of 53,000,</p> <p>21 roughly representing about a 24 percent pay</p> <p>22 premium to comparable jobs in the national</p>

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1465	<p>1 private sector.</p> <p>2 MS. PENN: Thank you. That's all I</p> <p>3 have.</p> <p>4 MR. STEPHENS: Can we take ten minutes?</p> <p>5 ARBITRATOR OLDHAM: Yes.</p> <p>6 MR. STEPHENS: Thank you.</p> <p>7 (Brief recess.)</p> <p>8 ARBITRATOR OLDHAM: Okay, folks.</p> <p>9 MR. STEPHENS: Yes, sir.</p> <p>10 CROSS-EXAMINATION BY COUNSEL FOR</p> <p>11 THE</p> <p>12 UNION</p> <p>13 BY MR. STEPHENS</p> <p>14 Q Good morning.</p> <p>15 A Good morning.</p> <p>16 Q I'm Arlus Stephens. I'm an attorney</p> <p>17 for the Postal Police Officers Association, and I</p> <p>18 had a couple questions for you.</p> <p>19 A Certainly.</p> <p>20 Q Let me start off, first of all, if I</p> <p>21 could, by taking you in your -- in your -- your</p> <p>22 PowerPoint document up to -- I think it's -- I</p> <p>23 don't know if it's in the PowerPoint or not, but</p>	1467
1466	<p>1 it's in your -- it's Appendix A --</p> <p>2 A Okay.</p> <p>3 Q -- which is your --</p> <p>4 A Yes.</p> <p>5 Q Is it correct that you -- well, let me</p> <p>6 ask you this: You -- you represented you've been</p> <p>7 hired by the post office on many occasions,</p> <p>8 correct?</p> <p>9 A Our firm has been, yes.</p> <p>10 Q Yes. And you represent, at the bottom</p> <p>11 of this Slide A-1, that you've been doing pay</p> <p>12 comparability for the post office for 23 years?</p> <p>13 A Our -- our firm has, yes.</p> <p>14 Q Okay.</p> <p>15 A And I've been involved with most of</p> <p>16 them --</p> <p>17 Q Okay.</p> <p>18 A -- for 23 years.</p> <p>19 Q So the -- you've provided -- and this</p> <p>20 is providing opinions for the post office in</p> <p>21 interest arbitrations?</p> <p>22 A Yes. That's -- that's -- yes. So what</p>	1468

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1469	<p>1 was --</p> <p>2 MS. PENN: Objection. This is way</p> <p>3 beyond the extent of direct.</p> <p>4 MR. STEPHENS: I'm just asking if he</p> <p>5 was involved in that.</p> <p>6 THE WITNESS: No.</p> <p>7 BY MR. STEPHENS</p> <p>8 Q All right. I'm going to hand you an</p> <p>9 exhibit if I could, sir. We'll mark this as</p> <p>10 Union Exhibit 103.</p> <p>11 Now, do you recognize this document?</p> <p>12 A I do.</p> <p>13 Q Now, what is this document?</p> <p>14 A This is my biography, which probably</p> <p>15 came from our website.</p> <p>16 Q Okay. And is it fair to say that --</p> <p>17 this describes you as having a -- a health care</p> <p>18 focus; is that right?</p> <p>19 A Yes.</p> <p>20 Q In the health care industry?</p> <p>21 A Uh-huh.</p> <p>22 Q Compensating -- it focuses on studying</p>	1471
1470	<p>1 compensation of employees who work in hospitals,</p> <p>2 for example; is that right?</p> <p>3 A Yes.</p> <p>4 Q Okay. Is there any mention here about</p> <p>5 law enforcement assessments?</p> <p>6 A No.</p> <p>7 Q I mean, is it -- and -- or, for</p> <p>8 example, is it true -- fair to say that -- well,</p> <p>9 let me back up for a second.</p> <p>10 Do you know why you were retained to</p> <p>11 provide an opinion regarding the Postal Police?</p> <p>12 A So our -- our firm focuses on the</p> <p>13 analysis, assessment and design of compensation</p> <p>14 programs, and part of that is to understand the</p> <p>15 job, make the match, familiarity with the surveys</p> <p>16 and the survey process.</p> <p>17 Q And familiarity with the post office</p> <p>18 from doing this --</p> <p>19 A From prior, yes.</p> <p>20 Q -- in other -- other cases, correct?</p> <p>21 A Yes.</p> <p>22 Q Okay. If I can direct you back, sir,</p>	1472
	<p>1 to your -- the presentation. And my first</p> <p>2 question is regarding page 3 of -- if I could</p> <p>3 turn -- if you can direct your slide to -- yes,</p> <p>4 sir.</p> <p>5 A All right.</p> <p>6 Q Now, is it fair to say that in order to</p> <p>7 accomplish steps two, three, four and five, the</p> <p>8 absolute imperative is to be correct on step one;</p> <p>9 is that right?</p> <p>10 A Yes, that would be correct.</p> <p>11 Q Now, if I turn you to the next page --</p> <p>12 now, I believe you testified that you tried to</p> <p>13 undertake to get an understanding of the job; is</p> <p>14 that right?</p> <p>15 A Could you rephrase that?</p> <p>16 Q I'm sorry. I'll say it again.</p> <p>17 I believe you testified that you tried</p> <p>18 to get an understanding of the job, tried to</p> <p>19 understand what the job was; is that correct?</p> <p>20 A Yes.</p> <p>21 Q Because it would be imperative to get</p> <p>22 that in order to do steps two, three, four and</p>	

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1473	<p>1 first part -- first part of --</p> <p>2 Q Right. And that's where I want to go,</p> <p>3 because -- is it correct that that more or</p> <p>4 less -- you -- you've listed here you just</p> <p>5 republished the job description; is that right?</p> <p>6 A I was going to say I thought I said</p> <p>7 that in my testimony, which is one through nine</p> <p>8 on the job description is typed verbatim here.</p> <p>9 Q Okay.</p> <p>10 A And if it's not, I apologize, but I</p> <p>11 believe it was.</p> <p>12 Q If I can refer you back to -- among the</p> <p>13 many binders off to your right, there should be a</p> <p>14 binder called union exhibits.</p> <p>15 A Yes, sir.</p> <p>16 ARBITRATOR OLDHAM: Oh, what a</p> <p>17 challenge.</p> <p>18 MS. SULLIVAN: Which -- which volume?</p> <p>19 MR. STEPHENS: We just have one volume.</p> <p>20 THE WITNESS: Union exhibits.</p> <p>21 MS. SULLIVAN: What's the number of the</p> <p>22 exhibit?</p>	1475	<p>1 Q Please do.</p> <p>2 A -- word for word before I --</p> <p>3 Q Please do.</p> <p>4 A I don't want to take up the time of the</p> <p>5 Court, but I'm a thorough person.</p> <p>6 Q If you will stick to --</p> <p>7 THE COURT REPORTER: Everyone can't</p> <p>8 talk at the same time, please.</p> <p>9 MS. PENN: What were you saying, Arlus?</p> <p>10 MR. STEPHENS: My question was whether</p> <p>11 his -- Mr. Pavlik's assessment of what our PPO</p> <p>12 duties and responsibilities.</p> <p>13 MS. PENN: So presuming he typed the</p> <p>14 exact same thing that is on the job description,</p> <p>15 we'll stipulate that they're the same document.</p> <p>16 MR. STEPHENS: Okay. That's fine.</p> <p>17 Okay.</p> <p>18 THE WITNESS: Do I keep proofreading</p> <p>19 these two or no?</p> <p>20 MR. STEPHENS: I don't think so.</p> <p>21 THE WITNESS: Okay.</p> <p>22</p>
1474	<p>1 MR. STEPHENS: Oh, which number of the</p> <p>2 exhibit. I'm sorry. I thought you meant which</p> <p>3 number of the volume of binder.</p> <p>4 MS. GONSALVES: It's both, but go</p> <p>5 ahead.</p> <p>6 MR. STEPHENS: Okay. It's Union</p> <p>7 Exhibit No. 13.</p> <p>8 MS. GONSALVES: Volume 1.</p> <p>9 THE WITNESS: Am I looking at the</p> <p>10 bottom right corner where it says --</p> <p>11 BY MR. STEPHENS</p> <p>12 Q Yes, sir.</p> <p>13 A -- this binder?</p> <p>14 Q Yes, sir.</p> <p>15 A U-13?</p> <p>16 Q Yes, sir.</p> <p>17 A There's another picture of me. Okay.</p> <p>18 The job.</p> <p>19 Q Yes, sir. If you look at that, is that</p> <p>20 more or less identical to what you've published</p> <p>21 here as your Slide No. 8?</p> <p>22 A I'd have to read through verbatim --</p>	1476	<p>1 BY MR. STEPHENS</p> <p>2 Q So based on your -- based on your</p> <p>3 assessment, the -- these are the -- and we're</p> <p>4 looking at Slide No. 5 here.</p> <p>5 These are the PPO's duties and</p> <p>6 responsibilities; is that correct?</p> <p>7 A That's correct.</p> <p>8 Q Okay. Now, if we can go back to one</p> <p>9 page earlier, page no. 4, you say in terms of the</p> <p>10 typical approaches toward obtaining an</p> <p>11 understanding of the job, you say the first</p> <p>12 approach is to review the job documentation,</p> <p>13 which you did by looking at the job description;</p> <p>14 is that correct?</p> <p>15 A That's correct.</p> <p>16 Q Okay. And in the second approach, you</p> <p>17 say is direct observation; is that correct?</p> <p>18 A Well, these are -- these are typical</p> <p>19 approaches. We didn't follow all these, but if</p> <p>20 you were to ask me what approaches do people use</p> <p>21 to understand a job, it would be these five.</p> <p>22 Q So you -- you did not engage in direct</p>

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1477	<p>1 observation, or did you?</p> <p>2 A Well, we had an opportunity as we were</p> <p>3 given a tour of the facility to -- to see some of</p> <p>4 the PPOs in their work.</p> <p>5 Q And -- and can you describe the</p> <p>6 facility you visited?</p> <p>7 A Yes. That's in -- a little below the</p> <p>8 middle of the page, New York, Chicago, Miami and</p> <p>9 Fort Worth.</p> <p>10 Q No, I'm being -- but in New York, where</p> <p>11 did you go in New York?</p> <p>12 A I would have to go through all my</p> <p>13 notes. We met with Captain Connors, and we -- we</p> <p>14 met there and then we toured that facility, and</p> <p>15 then we were also taken out to the air mail</p> <p>16 facility at -- Kennedy was where we went.</p> <p>17 Q Okay. Did you get out on the tarmac at</p> <p>18 Kennedy?</p> <p>19 A I'm not allowed out on the tarmac.</p> <p>20 Q Okay.</p> <p>21 A I get close.</p> <p>22 Q Let me ask you about Chicago. Where</p>	1479	<p>1 that in order to see what the PPOs do, you would</p> <p>2 have to put on body armor and to go out on a</p> <p>3 mobile patrol? Isn't that correct?</p> <p>4 A I think that -- that's probably along</p> <p>5 those lines of what I -- I was told. But the</p> <p>6 other thing I was also told was that to go out</p> <p>7 and do the site visits, to work those in, there</p> <p>8 was not an opportunity to -- to check with the</p> <p>9 union relative to doing actual -- you know,</p> <p>10 follow along with each individual.</p> <p>11 And -- but again, I go back to the --</p> <p>12 the -- what I thought I might have mentioned</p> <p>13 earlier, which is really most organizations, if</p> <p>14 the job description is accurate and up to date,</p> <p>15 there's really no need to validate if management</p> <p>16 says, yes, this job description accurately, you</p> <p>17 know, describes what the role is.</p> <p>18 Q Just going back to my question, though,</p> <p>19 is it correct that you were told that in order to</p> <p>20 see what PPOs in Chicago do, you would have to</p> <p>21 put on body armor and go out on a patrol, and you</p> <p>22 were afforded that opportunity; isn't that</p>
1478	<p>1 did you go in Chicago?</p> <p>2 A Chicago, we met at the -- the main post</p> <p>3 office in the -- in the facility there. And back</p> <p>4 in 2007, we went out to the air mail facility out</p> <p>5 at O'Hare.</p> <p>6 Q Okay. And in Chicago, isn't it correct</p> <p>7 that there are no -- there are no fixed PPO posts</p> <p>8 in Chicago; is that right?</p> <p>9 A That's correct.</p> <p>10 Q So you actually weren't able to observe</p> <p>11 any PPOs in Chicago; is that right?</p> <p>12 A I think -- well, I -- I can't speak to</p> <p>13 that because I don't know the levels of the</p> <p>14 individuals. We did meet with a sergeant for an</p> <p>15 extended period of time and went through</p> <p>16 discussion there. And then we watched a roll</p> <p>17 call, which, again, I don't know the specific</p> <p>18 levels because I didn't ask the individuals if</p> <p>19 that was a sergeant doing roll call with two PPOs</p> <p>20 or if the person who did roll call was a PPO with</p> <p>21 the others. But we observed that.</p> <p>22 Q Isn't it correct that you were told</p>	1480	<p>1 correct? And you declined.</p> <p>2 A I have to think about how that -- that</p> <p>3 went. But I can't -- I can't disagree with what</p> <p>4 you're saying that if they would have offered</p> <p>5 that...</p> <p>6 Q If I can refer you in the -- the</p> <p>7 exhibit book I just showed you to the -- the</p> <p>8 document on the very first page, Union Exhibit</p> <p>9 No. 1.</p> <p>10 Is it correct that while you were on</p> <p>11 your Chicago visit, one of the people on your</p> <p>12 team tried to lift up the shield and commented</p> <p>13 how heavy was?</p> <p>14 A I think it was somebody who was there,</p> <p>15 but I don't think they were from Sullivan Cotter.</p> <p>16 Q Okay. And is it correct that the</p> <p>17 person was told it needs to be heavy in order to</p> <p>18 be bullet resistant?</p> <p>19 A That's correct.</p> <p>20 Q Okay. And how much time was spent in</p> <p>21 Chicago?</p> <p>22 A I would have to go back. I think the</p>

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1481	<p>1 site visits lasted from two to four hours, 2 depending upon how many people we met with and 3 the opportunities to go to different facilities. 4 Q Is it correct that Chicago was two 5 hours? 6 A That could be right. 7 Q When you went to Miami, isn't it 8 correct that the PPOs were in training that day, 9 along with the Postal Inspectors from Miami? 10 A Yes. 11 Q And isn't it correct the inspectors 12 commented to you how essential the PPOs were to 13 the Inspection Service's law enforcement mission? 14 A I'm not sure of the exact words, but I 15 would say the -- the notion of that, yes. 16 Q Isn't it true you spent two hours or 17 less in Miami? 18 A I thought Miami we were there a little 19 bit longer, but I would have to look at my notes 20 and the time. 21 Q And in -- and again, in Miami, your -- 22 you didn't leave the distribution center in</p>	1483	<p>1 Q So if I can turn you back for a second, 2 sir, to -- to Slide No. 4, is it fair to say, 3 then, that there were no -- there was no direct 4 observation of PPOs at work, or is that fair to 5 say? 6 A I don't think so, because I -- I think 7 we did see them at work, not -- not -- I didn't 8 do a full tour one, two or three -- 9 Q All right. 10 A -- but I saw PPOs. 11 Q You didn't talk to any of them, though; 12 is that right? 13 A No, did not interview. I may have, you 14 know, said hello. 15 Q Okay. And your interviews with the -- 16 the supervisors all made time for you; is that 17 right? 18 A What do you mean, made time for me? 19 Q Well, the supervisors -- when you went 20 to a site, the supervisors agreed to talk with 21 you, correct? 22 A Well, I think it was that we set up</p>
1482	<p>1 Miami; is that correct? 2 A I'd have to look at my notes. I don't 3 remember. Because I think we did go down to the 4 other facility where they actually were doing the 5 training. 6 Q Okay. But the -- but it was limited -- 7 there were -- you were not -- my question is: 8 You didn't go out on any kind of a patrol; is 9 that right? 10 A No. No, did not. Did not. 11 Q And the same is true in -- in Dallas; 12 is that correct? When you were in Dallas -- 13 ARBITRATOR OLDHAM: I thought we were 14 at Fort Worth. 15 THE WITNESS: Yeah, Fort Worth. 16 BY MR. STEPHENS 17 Q Is the facility in Fort Worth or in 18 Dallas? 19 A I believe it's Fort Worth. 20 Q Okay. Isn't it correct that you didn't 21 leave the facility? Is that right? 22 A That one, that's correct.</p>	1484	<p>1 interviews ahead of time for the time that was 2 available for them, I thought. 3 Q Because they -- headquarters notified 4 the supervisors that you were coming; is that 5 right? 6 A (Nodding.) 7 Q And they were -- and the supervisors 8 were informed what was the purpose of your visit; 9 is that correct? 10 A I believe so, yes. 11 Q One moment, sir. 12 Mr. Pavlik, you talked to the captain 13 in -- in the Fort Worth facility; is that right? 14 A I believe so, yes. 15 Q Is it correct that PPOs had effected an 16 arrest of a violent individual at the facility 17 approximately two weeks before your interview? 18 A I -- you know, I apologize. They -- 19 they may have mentioned that. I -- 20 Q But is it correct you commented that 21 you weren't interested in that? 22 A Did I comment what?</p>

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1485	<p>1 Q That you were not interested in that,</p> <p>2 in talking about that.</p> <p>3 A I don't know if I would have said that.</p> <p>4 And, again, that I wasn't interested in talking</p> <p>5 about it or --</p> <p>6 Q Yes, sir.</p> <p>7 A Okay.</p> <p>8 Q Let me go through -- so, in other</p> <p>9 words, among the typical approaches, if I take</p> <p>10 you back for a second to Slide No. 4, there were</p> <p>11 no -- you -- you talked with the -- the</p> <p>12 supervisors that you made appointments with,</p> <p>13 correct?</p> <p>14 A Yes.</p> <p>15 Q You did not interview any of the</p> <p>16 incumbents, correct?</p> <p>17 A That is correct.</p> <p>18 Q And there were no questionnaires</p> <p>19 completed by any of the incumbents; is that</p> <p>20 correct?</p> <p>21 A That is correct.</p> <p>22 Q And those are all -- those are all</p>	1487	<p>1 strong match for what the Postal Police do; is</p> <p>2 that correct?</p> <p>3 A Yes.</p> <p>4 Q Do -- instead of saying all those words</p> <p>5 every time, if I refer to it as the level U-2,</p> <p>6 would that be understood as a shorthand for this</p> <p>7 long --</p> <p>8 A Sure.</p> <p>9 Q All right. Is it fair to say on the</p> <p>10 third bullet point down -- the ensures</p> <p>11 identification of employees or visitors, is it</p> <p>12 fair to say that that is the function that's</p> <p>13 performed by the private ABM security guards that</p> <p>14 the Postal Service has hired?</p> <p>15 A I don't know what the -- the specifics</p> <p>16 of the ABM, but I -- your -- your observation, if</p> <p>17 this is where you're going, which is that the</p> <p>18 PPOs do not perform this as far as -- at least</p> <p>19 the four sites we went to did not say that, and</p> <p>20 it's not listed on the job description.</p> <p>21 Q And the one below that, investigates</p> <p>22 disturbances, may serve as liaison with police,</p>
1486	<p>1 typical approaches to finding out what one does</p> <p>2 on a job?</p> <p>3 A I apologize. I must have misspoke, but</p> <p>4 I thought I mentioned earlier the primary one --</p> <p>5 Q They are --</p> <p>6 A -- they are all five approaches to</p> <p>7 collecting information about jobs. The primary</p> <p>8 one is the job documentation review. We</p> <p>9 validated it with the direct supervisor, who</p> <p>10 said, on Slide 5, these duties and</p> <p>11 responsibilities are still, you know, what the</p> <p>12 PPOs are doing.</p> <p>13 Q Right. And that -- Slide 5 was listed</p> <p>14 verbatim from the 1990 job description; is that</p> <p>15 correct?</p> <p>16 A Yeah. Mine did not have a date. The</p> <p>17 one that's attached maybe was the one that was</p> <p>18 provided to me, and I have not compared it to the</p> <p>19 one you've shared.</p> <p>20 Q Let me take you to Slide No. 7, please.</p> <p>21 And you said you thought this Towers Watson</p> <p>22 security armed level U-2 intermediate was a</p>	1488	<p>1 are you aware that the ABM -- if that happens to</p> <p>2 an ABM guard, they turn the individual over to</p> <p>3 the Postal Police?</p> <p>4 A No.</p> <p>5 Q And on holding a valid firearms</p> <p>6 license, are you aware that Postal Police are not</p> <p>7 required to maintain a firearms license because</p> <p>8 they're sworn law enforcement officers?</p> <p>9 A No, I did not know that.</p> <p>10 Q Okay. If I can it turn you, sir, to</p> <p>11 Slide 11, please.</p> <p>12 What's your experience in -- in federal</p> <p>13 sector grade evaluation?</p> <p>14 A I'm familiar with the -- the evaluation</p> <p>15 tool itself. We have very few clients that --</p> <p>16 that would use this.</p> <p>17 Q Okay.</p> <p>18 A We have several that use a similar --</p> <p>19 you know, the point factor approach from Hay.</p> <p>20 Q Okay. Now, the -- the -- the -- is</p> <p>21 it -- is it correct to say that -- the OPM</p> <p>22 document you used is -- well, it's from 1998; is</p>

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1489	<p>1 that correct?</p> <p>2 A April, yes.</p> <p>3 Q Okay. So it's almost 26 years old; is</p> <p>4 that right?</p> <p>5 A That's correct.</p> <p>6 Q Which I'll represent to you is when</p> <p>7 Officer Pierce, who's a Postal Police Officer in</p> <p>8 Memphis, was still in diapers.</p> <p>9 You did your -- your count of the --</p> <p>10 the scoring based on your assessment of what</p> <p>11 Postal Police Officers actually did; is that</p> <p>12 right?</p> <p>13 A It is based on the job documentation</p> <p>14 that -- it gives the responsibilities and the</p> <p>15 knowledge and skills required.</p> <p>16 Q And another gentleman, Inspector</p> <p>17 Bowers, also helped you to come up with your</p> <p>18 number; is that correct?</p> <p>19 A No, a slightly different approach --</p> <p>20 Q Or --</p> <p>21 A -- which is I went through and I</p> <p>22 evaluated. I came up with my score. Then I sat</p>	1491	<p>1 THE WITNESS: For whoever was in the</p> <p>2 diapers in '88, you don't have these yet, but you</p> <p>3 will.</p> <p>4 BY MR. STEPHENS</p> <p>5 Q And my question to you, sir, is going</p> <p>6 to be about the function.</p> <p>7 A Okay.</p> <p>8 Q Based on the -- just looking at the</p> <p>9 functions described here on Union Exhibit 37, do</p> <p>10 you have any sense of what grade a -- a person</p> <p>11 with those -- with those functions, where they</p> <p>12 would fall on the GS scale?</p> <p>13 MS. PENN: I'm going to object. This</p> <p>14 is beyond the scope of my direct. If he knows,</p> <p>15 he can answer the question, but I did not go to</p> <p>16 any federal police positions.</p> <p>17 MR. STEPHENS: I believe the witness --</p> <p>18 go ahead.</p> <p>19 ARBITRATOR OLDHAM: Okay. Let me just</p> <p>20 say, Sonya, for your benefit, you may or may not</p> <p>21 have been here, but I don't -- I don't mind much</p> <p>22 going beyond the scope of the direct. Let's just</p>
1490	<p>1 down with Mr. Bowers and went through the</p> <p>2 document and reviewed and read each one and said,</p> <p>3 you know, what level do we see, is this -- you</p> <p>4 know, is this -- and he, you know, this looks</p> <p>5 like a Level 2, this looks -- and his evaluation</p> <p>6 was the same.</p> <p>7 Q Mr. Pavlik, if I could, could I refer</p> <p>8 you in the binder there to Union Exhibit No. 37?</p> <p>9 MS. GONSALVES: Could you repeat that</p> <p>10 again? I'm sorry.</p> <p>11 MR. STEPHENS: I'm sorry. Union</p> <p>12 Exhibit No. 37. It's the Pentagon Police job</p> <p>13 description.</p> <p>14 MS. GONSALVES: We have two copies.</p> <p>15 THE WITNESS: I don't want to -- can I</p> <p>16 be excused to get my cheaters?</p> <p>17 MR. STEPHENS: Oh, yes, please. I'm</p> <p>18 sorry.</p> <p>19 THE WITNESS: I don't know if I can</p> <p>20 leave the chair. I can't see the small font.</p> <p>21 I'm sorry.</p> <p>22 MR. STEPHENS: The font is microscopic.</p>	1492	<p>1 be relaxed about that.</p> <p>2 MS. PENN: All right.</p> <p>3 BY MR. STEPHENS</p> <p>4 Q You testified you believe that Postal</p> <p>5 Police would -- would fall as a GS-5; is that</p> <p>6 correct?</p> <p>7 A That's right, under the OPM</p> <p>8 evaluation --</p> <p>9 Q Okay.</p> <p>10 A -- system.</p> <p>11 Q Do you know where the Pentagon Police,</p> <p>12 based on your just limited exposure here to their</p> <p>13 key functions --</p> <p>14 A No. I mean, could I? Yes. Would I</p> <p>15 like to sit down with somebody at the DoD and go</p> <p>16 through the same thing I went through with</p> <p>17 Mr. Bowers to come up with it? Absolutely. So,</p> <p>18 I -- I can't say where I think this would --</p> <p>19 would fall.</p> <p>20 Q Are you familiar with the concept of</p> <p>21 federal grade creep? Is that -- is that a</p> <p>22 concept that you have heard?</p>

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1493	<p>1 A No.</p> <p>2 Q Okay.</p> <p>3 A I know what it means on the -- on the</p> <p>4 private sector side. There are some clients that</p> <p>5 may have that, perhaps, but I'm not sure</p> <p>6 specifically --</p> <p>7 Q You're not familiar with it in terms of</p> <p>8 OPM?</p> <p>9 A No.</p> <p>10 Q Okay. When you're reviewing the -- the</p> <p>11 Towers Watson and Mercer data, do they have</p> <p>12 police positions?</p> <p>13 A No. Not in this circumstance, they</p> <p>14 didn't.</p> <p>15 Q So there's no -- if -- if the duties of</p> <p>16 the Postal Police were -- based on your</p> <p>17 evaluation, if they actually were performing</p> <p>18 police duties, there would not be a private</p> <p>19 sector analogue in Towers Watson or Mercer; is</p> <p>20 that right?</p> <p>21 A Not in those two surveys, correct. I'm</p> <p>22 not sure if there's other private sector type of</p>	1495	<p>1 history about themselves?</p> <p>2 MS. PENN: Yes. Yes.</p> <p>3 BY MS. PENN</p> <p>4 Q Their work history with the Postal</p> <p>5 Service, to be clear.</p> <p>6 A Yes.</p> <p>7 Q And did they indicate that they had</p> <p>8 been formerly PPOs?</p> <p>9 A Yes, and most of them had been long</p> <p>10 service.</p> <p>11 Q Okay. And so were they in a position</p> <p>12 to give you great detail on the duties of the</p> <p>13 Postal Police Officers?</p> <p>14 A Yes, I believe so.</p> <p>15 Q And did they indicate whether or not</p> <p>16 the job description that they had for the PPOs</p> <p>17 was true and correct --</p> <p>18 A Yes.</p> <p>19 Q -- as far as the Postal Police duties?</p> <p>20 A Again, I would -- if not all, nearly</p> <p>21 all of them validated that the job description</p> <p>22 was accurate and up to date.</p>
1494	<p>1 databases for those positions.</p> <p>2 MR. STEPHENS: Mr. Pavlik, I have no</p> <p>3 further questions. Thank you.</p> <p>4 REDIRECT EXAMINATION BY COUNSEL FOR</p> <p>5 THE</p> <p>6 POSTAL SERVICE</p> <p>7 BY MS. PENN</p> <p>8 Q So you testified that you went to the</p> <p>9 facilities to learn about the PPO jobs; is that</p> <p>10 correct?</p> <p>11 A Yes.</p> <p>12 Q Okay. And you talked with the</p> <p>13 supervisors there?</p> <p>14 A Yes.</p> <p>15 Q Did the supervisors give you</p> <p>16 information on their work history for the Postal</p> <p>17 Service?</p> <p>18 A Yes.</p> <p>19 ARBITRATOR OLDHAM: Their own, you</p> <p>20 mean?</p> <p>21 MS. PENN: The -- the postal</p> <p>22 supervisors.</p> <p>23 ARBITRATOR OLDHAM: You mean their</p>	1496	<p>1 Q Okay. And two more questions.</p> <p>2 When you looked initially at the PPO</p> <p>3 job description, you made a determination that</p> <p>4 they fell into what type of employee</p> <p>5 classification?</p> <p>6 A You mean relative to being a security</p> <p>7 guard versus police? Is that what you're --</p> <p>8 Q Yes.</p> <p>9 A Yes. I mean, that was -- that was part</p> <p>10 of the --</p> <p>11 Q Okay.</p> <p>12 A -- evaluation process we went through.</p> <p>13 Q So then what did that cause you -- what</p> <p>14 type of data did it cause you to look at in the</p> <p>15 private sector?</p> <p>16 A Well, again, we go back to -- once we</p> <p>17 understood the job, we're looking for security</p> <p>18 guard type of positions. There was one in</p> <p>19 Mercer, but it didn't indicate it was armed.</p> <p>20 Clearly, the PPO is armed. We want to match</p> <p>21 that.</p> <p>22 MS. PENN: Okay. That's all I have.</p>

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1497	<p>1 Thank you.</p> <p>2 MR. STEPHENS: Nothing.</p> <p>3 ARBITRATOR OLDHAM: One question,</p> <p>4 please.</p> <p>5 ARBITRATOR BJORK: The OPM Grade</p> <p>6 Evaluation Guide, between the OPM guide --</p> <p>7 THE WITNESS: Is there a page that</p> <p>8 you're on that you're looking at?</p> <p>9 ARBITRATOR BJORK: Oh, no, just the</p> <p>10 guide.</p> <p>11 THE WITNESS: Okay.</p> <p>12 ARBITRATOR BJORK: Is it standard in</p> <p>13 your profession to be using job evaluation data</p> <p>14 that's between 24 and 26 years old?</p> <p>15 THE WITNESS: There are fewer and fewer</p> <p>16 organizations who use the job evaluation system</p> <p>17 because of that, and I -- again, you asked for</p> <p>18 this, and I will give the longer answer of what's</p> <p>19 happened over the years.</p> <p>20 There used to be fewer wage surveys</p> <p>21 done, so people would create these evaluation</p> <p>22 systems for jobs that they didn't have market</p>	1499	<p>1 all-or-nothing approach to each category,</p> <p>2 correct?</p> <p>3 THE WITNESS: Some in the sense of --</p> <p>4 yes. So there's three levels to choose from. If</p> <p>5 your point is, you know, the -- you're not at</p> <p>6 halfway between; you're either a Level 1 or a</p> <p>7 Level 2 or a Level 3.</p> <p>8 ARBITRATOR BJORK: So, in your opinion,</p> <p>9 since there's some argument on the post office's</p> <p>10 side that it's a mix, wouldn't it be a better</p> <p>11 approach from your perspective to have a midway</p> <p>12 point between those two ranges and assess points</p> <p>13 from that perspective?</p> <p>14 THE WITNESS: You asked me my opinion,</p> <p>15 and, I'm sorry, I'm going to give it --</p> <p>16 ARBITRATOR BJORK: That's fine.</p> <p>17 THE WITNESS: -- which is -- you know,</p> <p>18 because I will tell you that -- that the -- most</p> <p>19 organizations rely on the market data. It</p> <p>20 doesn't matter how many points we have. If the</p> <p>21 job is paid X in the market, as a company, that's</p> <p>22 what we need to pay, because, otherwise, it's a</p>
1498	<p>1 data for, because if both jobs have 500 points,</p> <p>2 they should probably be paid the same.</p> <p>3 What happened was the number of private</p> <p>4 sector wage surveys that are not conducted has</p> <p>5 gone up exponentially, and that goes through the</p> <p>6 Fair Trade Commission guidelines that came out a</p> <p>7 number of years ago, and they basically said</p> <p>8 company A and B can't share information; that's</p> <p>9 occlusion, price fixing.</p> <p>10 So what they said is the survey data</p> <p>11 has to be collected by third-party independent</p> <p>12 firm, okay, that's disinterested. It has to be</p> <p>13 reported in a fashion that does not reveal any</p> <p>14 underlying organization's information. It has to</p> <p>15 have a sample size of N and it has to be 90 days</p> <p>16 old. So that's created these Mercers and Towers</p> <p>17 where they're doing multiple surveys to collect</p> <p>18 that information.</p> <p>19 So, to your point, do we see these</p> <p>20 systems? Not as much as we used to years ago.</p> <p>21 ARBITRATOR BJORK: Okay. And then the</p> <p>22 OPM guide, in assessing points, it envisions an</p>	1500	<p>1 cost issue, or maybe we're not able to recruit</p> <p>2 the kind of talent that we need.</p> <p>3 So, to your point, most of them moved</p> <p>4 away from these evaluation systems, and part of</p> <p>5 it is for that exact reason that you -- there's</p> <p>6 no way to look at halfway between.</p> <p>7 ARBITRATOR BJORK: Okay. Thank you.</p> <p>8 ARBITRATOR DUFEK: I just have one</p> <p>9 comment, and it has to do with your Appendix D,</p> <p>10 but I'm interested in your opinion concerning</p> <p>11 that. I want you to turn to page 14 again.</p> <p>12 At least within the context of OPM, if</p> <p>13 you look at the second paragraph under security</p> <p>14 guards, they talk about the knowledge of</p> <p>15 specialized operating requirements, methods and</p> <p>16 procedures used in safeguarding sensitive</p> <p>17 national defense materials of processes,</p> <p>18 protecting national treasures such as gold</p> <p>19 bullion, works of art, literary collections,</p> <p>20 historical artifacts. It goes on to talk about</p> <p>21 access to areas containing valuable documents and</p> <p>22 hazardous materials.</p>

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1501	<p>1 It's clear to me that OPM -- from this</p> <p>2 that OPM distinguishes between the work of</p> <p>3 security guards based on the sensitivity of the</p> <p>4 entity that they're protecting.</p> <p>5 Would you agree with that?</p> <p>6 THE WITNESS: Yes. Yes. And -- and I</p> <p>7 think the -- you know, the -- the points I have</p> <p>8 written down is security guard, you know,</p> <p>9 protecting property; police, enforcing law and</p> <p>10 order. That's in these documents from the OPM.</p> <p>11 And then, to your point, you know, specifically</p> <p>12 what we're securing drives some of the level and</p> <p>13 differentiation and --</p> <p>14 ARBITRATOR DUFEK: And is it your view</p> <p>15 that's appropriate, OPM's making a -- just from</p> <p>16 your vantage point?</p> <p>17 THE WITNESS: I believe so. I believe</p> <p>18 so.</p> <p>19 ARBITRATOR DUFEK: That's all I wanted.</p> <p>20 ARBITRATOR OLDHAM: Thank you very</p> <p>21 much.</p> <p>22 (Witness excused.)</p>	1503	<p>1 AFTERNOON SESSION</p> <p>2 (1:02 p.m.)</p> <p>3 ARBITRATOR OLDHAM: Okay. We ready to</p> <p>4 go?</p> <p>5 MS. GONSALVES: We are.</p> <p>6 ARBITRATOR OLDHAM: Joe, get yourself</p> <p>7 sworn in.</p> <p>8 WHEREUPON,</p> <p>9 JOE ALEXANDROVICH</p> <p>10 called as a witness, and having been first duly</p> <p>11 sworn, was examined and testified as follows:</p> <p>12 THE WITNESS: I do.</p> <p>13 DIRECT EXAMINATION BY COUNSEL FOR</p> <p>14 THE</p> <p>15 POSTAL SERVICE</p> <p>16 BY MS. GONSALVES</p> <p>17 Q Joe, I think you need no introduction,</p> <p>18 but for the sake of the -- for the sake of the</p> <p>19 record, could you please state your name and your</p> <p>20 current position?</p> <p>21 A My name is Joe Alexandrovich. That's</p> <p>22 A-L-E-X-A-N-D-R-O-V-I-C-H. I'm the manager of</p> <p>collective bargaining and arbitration.</p>
1502	<p>1 ARBITRATOR OLDHAM: Lunchtime? Resume</p> <p>2 at one o'clock? Is that enough time?</p> <p>3 MS. GONSALVES: Yes. One o'clock's</p> <p>4 good.</p> <p>5 MS. PENN: That's fine.</p> <p>6 (Whereupon, at 12:20 p.m., a</p> <p>7 luncheon recess was taken.)</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p>	1504	<p>1 Q Could you briefly go through your work</p> <p>2 history at the Postal Service?</p> <p>3 A My -- my postal career began in 1982 in</p> <p>4 Spokane, Washington. I was hired as a casual</p> <p>5 clerk, later became a letter sorting machine</p> <p>6 operator. I left the Postal Service in the late</p> <p>7 '80s -- or the mid '80s for a couple of years to</p> <p>8 go to graduate school. I came back to</p> <p>9 headquarters in 1989 and worked at various jobs</p> <p>10 at headquarters, mostly as an economist in our</p> <p>11 rates division, where I testified -- developed --</p> <p>12 was part of the -- the development of the rate</p> <p>13 cases and filings in front of the Postal Rate</p> <p>14 Commission, where I testified on three different</p> <p>15 occasions.</p> <p>16 I went to the western area in Denver,</p> <p>17 Colorado in 1997. I worked there for about a</p> <p>18 year-and-a-half, and I was asked to participate</p> <p>19 in the 1998 national negotiations, and, as an</p> <p>20 economist, I -- I came out and did that job,</p> <p>21 worked in the 1998 round of negotiations, went</p> <p>22 back to my job and was asked if I would be</p>

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1505	<p>1 interested in a permanent job. I took that in</p> <p>2 2000, remained domiciled in Colorado up until</p> <p>3 2011, when I was promoted to the manager of pay</p> <p>4 programs here at headquarters. A year later, I</p> <p>5 was promoted into my current position.</p> <p>6 Q What's your educational background?</p> <p>7 A I have a bachelor's degree in economics</p> <p>8 from Eastern Washington University and an MBA</p> <p>9 from the University of Chicago.</p> <p>10 Q You are -- explain to the panel how</p> <p>11 you're familiar with collective bargaining</p> <p>12 history.</p> <p>13 A Well, like I said, I started out with</p> <p>14 the 1998 negotiations as an economist. I</p> <p>15 worked -- started in 2000 full time with the</p> <p>16 Postal Service as labor economist and have worked</p> <p>17 since then in every round of negotiations with</p> <p>18 every bargaining unit. I've participated in each</p> <p>19 interest arbitration over that period of time.</p> <p>20 Q And you're also familiar with Postal</p> <p>21 Police Officer Association compensation?</p> <p>22 A I am, yes. I was involved with the</p>	1507	<p>1 bargaining, and I will review some of that</p> <p>2 history.</p> <p>3 I'll then move on to a brief summary of</p> <p>4 Postal Police bargaining history and follow that</p> <p>5 with a -- a more in-depth discussion of this</p> <p>6 latest round of bargaining with -- with -- with</p> <p>7 Postal Service and its four major unions in the</p> <p>8 current round of bargaining. And I'll follow</p> <p>9 that up with a discussion of the proposals from</p> <p>10 the PPOA and the Postal Service.</p> <p>11 MS. GONSALVES: As you can tell, Joe's</p> <p>12 presentation covers a lot of ground. It's going</p> <p>13 to be relatively lengthy, so we will be</p> <p>14 requesting breaks from time to time, short</p> <p>15 breaks.</p> <p>16 BY MS. GONSALVES</p> <p>17 Q So let's turn to the first part of your</p> <p>18 presentation.</p> <p>19 A The first part of my presentation,</p> <p>20 again, is PPO wage and benefits comparability.</p> <p>21 I'm going to be looking at a couple of surveys</p> <p>22 that are developed by the Bureau of Labor</p>
1506	<p>1 2003 negotiations with the Postal Police Officers</p> <p>2 that went to mediation with Stephen Goldberg.</p> <p>3 We -- we ended up with a negotiated agreement in</p> <p>4 that -- in that contract. In 2008 -- 2007 --</p> <p>5 excuse me -- I was involved with the national</p> <p>6 negotiations with the then FOP NLC, the</p> <p>7 bargaining agent for the PPOs, and participated</p> <p>8 in the 2008 Fishgold arbitration with the PPOs</p> <p>9 and testified during that proceeding.</p> <p>10 Q Mr. Alexandrovich, could you please</p> <p>11 provide an overview of your presentation, turning</p> <p>12 to Slide 2?</p> <p>13 A My presentation will be in five parts.</p> <p>14 The first -- the first part of my testimony will</p> <p>15 cover PPO wage and benefits comparability. I'll</p> <p>16 follow along with -- follow up on comparability</p> <p>17 that Mr. Pavlik just presented using some BLS</p> <p>18 data in -- to make those comparisons.</p> <p>19 I'll follow that with an overview of</p> <p>20 USPS interest arbitration history. The Postal</p> <p>21 Service has a long, rich tradition of interest</p> <p>22 arbitration over the 40 years of collective</p>	1508	<p>1 Statistics and -- and looking at comparisons to</p> <p>2 security guards and police officers within those</p> <p>3 surveys.</p> <p>4 I will also present some data on</p> <p>5 Service Contract Act. We've seen some of that</p> <p>6 before. I'm going to expand that a little bit.</p> <p>7 And I'll follow up with some data on quit rates</p> <p>8 of Postal Police Officers and what that has to</p> <p>9 say about their wages in relation to -- to other</p> <p>10 opportunities they may have.</p> <p>11 The first -- the first survey I'm going</p> <p>12 to be discussing is the Occupational Employment</p> <p>13 Statistics, otherwise referred to as OES. Again,</p> <p>14 it's a -- it's a survey developed by the Bureau</p> <p>15 of Labor Statistics. It's -- it's an</p> <p>16 immensely -- it's a very dense comprehensive</p> <p>17 survey. It produces employment and wage</p> <p>18 estimates for over 800 occupations. The</p> <p>19 estimates that are developed are based the</p> <p>20 surveys of 1.2 million establishments over a</p> <p>21 three-year period.</p> <p>22 What they do is have about 400,000</p>

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1509	<p>1 surveys a year that go out, and their estimates</p> <p>2 are based on a three year rolling average of</p> <p>3 those surveys. Those establishments represent</p> <p>4 about 62 percent of the American workforce. And</p> <p>5 what's provided with the OES is detailed wage and</p> <p>6 employment estimates by sector, industry and</p> <p>7 locality.</p> <p>8 So, turning to Slide 5, this is a</p> <p>9 summary of a report from OES on security guards.</p> <p>10 And, again, OES provides very detailed</p> <p>11 information on the number of employees that</p> <p>12 perform a job and -- in a sector in which they</p> <p>13 work. So you can see here for the occupation</p> <p>14 security guard -- got it -- the breakdown of</p> <p>15 private sector, federal sector, state and local.</p> <p>16 You can see the overwhelming majority of</p> <p>17 sector -- of security guards work in the private</p> <p>18 sector, the mean average salary of about</p> <p>19 \$27,000 a year. There are some federal sector</p> <p>20 security guards and -- and a larger number at the</p> <p>21 state and local level.</p> <p>22 This is a distribution of wages. It</p>	1511
1510	<p>1 shows the wages by sector at the 10th, 25th,</p> <p>2 50th, 75th and 90th percentile. And what you can</p> <p>3 see here and what you can gather from here is</p> <p>4 that, at least with private sector security</p> <p>5 guards, that there is a wide range of wage rates,</p> <p>6 from the lower end of 17,000 a year up to, at the</p> <p>7 90th percentile, about \$41,000 a year.</p> <p>8 It's obvious from -- from testimony</p> <p>9 we've heard that security guard is a very general</p> <p>10 occupation that covers a wide variety of workers,</p> <p>11 those from -- from, you know, your -- your mall</p> <p>12 security guard up to a security guard at a -- for</p> <p>13 example, a nuclear power plant. So it covers a</p> <p>14 lot of ground. There's no question that our</p> <p>15 Postal Police Officers would be at the higher end</p> <p>16 of that distribution, and I think it's useful to</p> <p>17 look at -- at the wages at the -- at the higher</p> <p>18 end there.</p> <p>19 You also see federal, state and local</p> <p>20 comparisons there, and at the bottom, you can see</p> <p>21 that the average PPO salary, as we've seen</p> <p>22 before, is about \$53,000 a year.</p>	1512

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1513	<p>1 hospitals are affiliated with the university, 2 they work in the hospital, but it's a university 3 affiliation. 4 ARBITRATOR OLDHAM: But those two 5 categories cover 100 percent? 6 THE WITNESS: Those are 100 percent. 7 They're -- the only two industries that they work 8 in are private universities and private 9 hospitals. 10 BY MS. GONSALVES 11 Q Okay. Turning to Slide 8, what's the 12 distribution of salary among police and sheriff's 13 patrol officers? 14 A Well, again here, you can see that, at 15 the median, the private sector and federal sector 16 are fairly close. The private sector's actually 17 a little higher at the median at about \$50,000 18 versus 48,000 at the federal sector. 19 You can see that state and local police 20 officers make significantly more than either 21 private or federal sector police officers. And 22 both -- and Postal Police Officers fall in the</p>	1515	<p>1 police officers worked at private universities 2 with another thousand working in private 3 hospitals. The state and local police are listed 4 below. 5 ARBITRATOR OLDHAM: Thank you. 6 BY MS. GONSALVES 7 Q Okay. You mentioned that there were 8 two sources from the Bureau of Labor Statistics. 9 I believe we're on Slide 9, which is the NCS 10 data. 11 A The National Compensation Survey is 12 another widely-used survey from the Bureau of 13 Labor Statistics. It measures employee salaries 14 and benefits. It produces the Employment Cost 15 Index. It also is a source for employment -- 16 employee -- employer cost for employee 17 compensation, which we heard earlier in Michael 18 Billingsley's testimony and heard from Dr. Belman 19 last week. 20 The NCS produces wage and benefits 21 estimates in a different way than the OES does. 22 They actually have a staff economist from BLS</p>
1514	<p>1 mid-range there. They make more than the -- 2 the -- on average than private sector police 3 officers do and -- and -- and federal sector 4 police officers do on average. 5 ARBITRATOR OLDHAM: I'm sorry to be 6 confused about who these people are, but, 7 obviously, these are not included -- these do not 8 include municipal police. 9 THE WITNESS: The local does. The 10 local is the -- the local -- 11 ARBITRATOR OLDHAM: So what was the -- 12 what were the 80 percent and the 20 percent 13 figures related to? 14 THE WITNESS: We'll go back a slide to 15 Slide 7. You can see by sector the population, 16 the number of employees in each one of these 17 sectors. The 80 percent, 20 percent applied to 18 the private sector police officers. The -- 19 ARBITRATOR OLDHAM: Thank you. That's 20 what I missed. 21 THE WITNESS: -- 80 -- the 4,000 -- 22 basically, 4,000 of those 5,000 private sector</p>	1516	<p>1 that go out and do on-site surveys of positions. 2 So they'll -- they'll go in and observe the 3 position. They'll do a survey. They'll gather 4 salary information. But one thing they do -- and 5 you'll see that in the last bullet there -- is 6 they rate the jobs by level of difficulty. So 7 they'll take the security guard position, for 8 example, and -- and rate it at different levels 9 depending on the degree of difficulty of that 10 job. 11 And the levels that they rate it at are 12 benchmarked against the GS salary schedule. So 13 the levels in the National Compensation Survey 14 run from Level 1 through Level 15, which 15 corresponds to be GS salary, and the way they 16 benchmark those, they -- they estimate, if that 17 work were being done by a federal worker, what 18 grade level would it be at. 19 Q Could you take a closer look at that on 20 Slide 10? 21 A So here you see for private sector 22 security guards -- this is private sector only --</p>

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1517	<p>1 they have five different levels, Level 1 through</p> <p>2 Level 5. They have the overall average for the</p> <p>3 security guard, about 11.69 an hour. But at a --</p> <p>4 at a Level 5, which corresponds to GS-5, it's</p> <p>5 about \$19 on hour. And that compares to a PPO</p> <p>6 mean hourly range of about \$25.70 an hour.</p> <p>7 Q Does GS-5 also correspond to what we've</p> <p>8 heard referred to as the GS-85 series?</p> <p>9 A It does, yes. And, also, GS-5 is --</p> <p>10 you'll recall the testimony of Tom Pavlik before</p> <p>11 lunch, who testified that based on the -- the</p> <p>12 classification guide for -- the OPM</p> <p>13 classification guide, they -- he rated the job at</p> <p>14 a security guard Level 5.</p> <p>15 Q I think that, at this point, if the --</p> <p>16 you'd like to reference Exhibit No. 2, which is</p> <p>17 Table 9, so it's Tab I, Exhibit 2 in Volume 2.</p> <p>18 And once the panel's there, you can tell us how</p> <p>19 that exhibit relates to this --</p> <p>20 A This is --</p> <p>21 Q -- slide.</p> <p>22 A -- just the source document for the</p>	1519
1518	<p>1 data that I presented on the slide. This is just</p> <p>2 the page -- the National Compensation Survey, the</p> <p>3 full survey itself is about a thousand pages.</p> <p>4 They cut it a lot of different ways. But this</p> <p>5 shows the private sector workers, mean hourly</p> <p>6 earnings. You can see -- a little more than</p> <p>7 halfway down the page, you see the security</p> <p>8 guards, Level 1, 2, 3, 4, 5, and that data</p> <p>9 corresponds to what was on the slide.</p> <p>10 Above that, you can see the police</p> <p>11 officers and a subcategory, police and sheriff</p> <p>12 patrol officers, Level 5 and Level 6, and we'll</p> <p>13 be getting to that on the next slide.</p> <p>14 Q Let's go ahead and go there now.</p> <p>15 A Here we go. These are those -- these</p> <p>16 are the private sector police and sheriff's</p> <p>17 patrol officers. These correspond to those 4,880</p> <p>18 private sector police officers that we saw in</p> <p>19 the -- in the Occupational Employment Statistics.</p> <p>20 On average, they make 19.83 an hour. Level 5 is</p> <p>21 18.74 an hour; Level 6, \$20.23 an hour. So it's</p> <p>22 about \$20 an hour on average for private sector</p>	1520

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<p style="text-align: right;">1521</p> <p>1 They did not include this page, though. I'd like 2 to refer the panel to -- 3 MS. GONSALVES: Exhibit 4. 4 THE WITNESS: -- Exhibit 4. 5 BY MS. GONSALVES 6 Q So what is this? 7 A Well, there's two parts here. The 8 first part is this SCA directory that -- that -- 9 that classifies each of these occupations to 10 their corresponding GS salary level. This comes 11 right from the SCA directory right up front. 12 And you can see on page 7 of this 13 directory -- about halfway down the page, you see 14 27100, which is the guard category, followed by, 15 you know, the actual guard classification at 16 either Guard I or Guard II. You see a similar 17 thing for police officer and a similar 18 classification for Police Officer I, Police 19 Officer II. 20 Now, these correspond -- Guard I 21 corresponds to a GS-4. Guard II corresponds to a 22 GS-5. Police Officer I corresponds to a GS-6,</p>	<p style="text-align: right;">1523</p> <p>1 post, making rounds on foot or by motor vehicle 2 or escorting persons or property. 3 And if you'll recall the 5305 survey, 4 that survey that's filled out, those are the 5 essential duties that are performed by Postal 6 Police Officers, fixed posts, mobile posts, foot 7 patrol. So this -- this lists -- and then escort 8 is a smaller part of it. So this lists four of 9 the five essential elements, I think of the -- of 10 the Postal Police Officer's position. Now, they 11 may be deputized to make arrests, may be required 12 to demonstrate proficiency in the use of firearms 13 or other special weapons and continuing physical 14 fitness, all things that a Postal Police Officer 15 is required to do. 16 If you go to the next page, you see the 17 description of Guard I and Guard II. We've been 18 over these. We don't think that Postal Police 19 Officers are -- are -- could be classified as a 20 Guard I. We feel they're more properly 21 classified as a Guard II. 22 But we're going to also look at -- at</p>
<p style="text-align: right;">1522</p> <p>1 and a Police Officer II corresponds to a GS-7. 2 Q And I think -- 3 A So if you move forward a couple of 4 pages there past this directory of occupations, 5 you'll see what I've got up on the slide here. 6 And we've seen part of this before, but we didn't 7 see the guard occupational page, page 99. The 8 union exhibit started at page 100. But I think 9 it's useful to look down at the bottom of that 10 page at the -- at the general occupational 11 description for -- for a guard. 12 You know, I don't really have much to 13 add in terms of are they -- are Postal Police 14 Officers more like security guards or most like 15 police -- more like police officers. There's 16 been plenty of discussion on that. I would, 17 however, like to point the panel to -- to that 18 general description at the bottom of the page 19 on -- on what a guard does. And -- and it's the 20 second -- it's protects property from theft or 21 damage, persons from hazards or interference. 22 Then it says duties involved serving at a fixed</p>	<p style="text-align: right;">1524</p> <p>1 the Police Officer I. So you can look at the 2 duties down at the bottom of the page there, the 3 general description of police officer, enforces 4 laws established for protection of persons and 5 property, detaining, arresting interrogating and 6 incarcerating suspected violators, appearing as a 7 witness at trials. 8 Then it's got some exclusions there. 9 Police Officer I carries out general and specific 10 assignments from superior officers in accordance 11 with the established rules and procedures, 12 maintains order, enforces laws and ordinances, 13 protects life and property in an assigned patrol 14 district or beat by performing a combination of 15 duties. Then it goes on to list duties. 16 We ruled out Police Officer II from 17 our -- from our analysis, and then I think if you 18 take a quick look at that, you can see why, 19 because in addition to the basic police duties 20 described at Level 1, Police Officer II, the one 21 that's classified as a GS-7, receives additional 22 compensation to specialize in one or more</p>

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1525	<p>1 activities such as canine patrol, special</p> <p>2 reaction teams, juvenile cases, hostage</p> <p>3 negotiations and participating in investigations</p> <p>4 or other enforcement activities requiring</p> <p>5 specialized training and skills. That, I think</p> <p>6 there would be no dispute that that does not</p> <p>7 describe Postal Police Officers' duties and</p> <p>8 responsibilities.</p> <p>9 Q So I think you just covered Slides 13</p> <p>10 and 14 --</p> <p>11 A I did.</p> <p>12 Q -- because 14 is just an extract from</p> <p>13 the police officer portion that you just read.</p> <p>14 What did the -- and you also took a</p> <p>15 look at the DoL wage determinations?</p> <p>16 A Yes. And we looked at the DoL wage</p> <p>17 determinations. And you can find that -- this is</p> <p>18 a summary on Slide 15, but if you look at --</p> <p>19 behind Tab 5, you can see the detail by location.</p> <p>20 And we looked at two things here, and on that</p> <p>21 first page, you'll see wages. We just looked at</p> <p>22 the wages that are paid -- that are required to</p>	1527	<p>1 Q I'll stop calling you</p> <p>2 Mr. Alexandrovich. It's too formal.</p> <p>3 But when you say the second page, you</p> <p>4 mean the second page of Exhibit 5, correct?</p> <p>5 A The second page of Exhibit 5 is the</p> <p>6 detail. It's all summarized on Slide 15 on the</p> <p>7 wall. The Service Contract Act requires that</p> <p>8 contractors, federal contractors, pay an amount</p> <p>9 for fringe benefits, what they call the health</p> <p>10 and welfare. So -- so they have -- they</p> <p>11 calculated -- the Department of Labor, Bureau of</p> <p>12 Labor Statistics, actually, they use the ECEC to</p> <p>13 develop the average the fringe benefit markup</p> <p>14 that must be paid to -- to these workers.</p> <p>15 And you can see the -- what those are</p> <p>16 in columns two -- for the column for Guard II and</p> <p>17 Police I. The average of the fully loaded rate</p> <p>18 for a Guard II across locations where Postal</p> <p>19 Police Officers work is \$21.30 an hour, and for</p> <p>20 Police I, it is \$30.47 an hour.</p> <p>21 Now, as we heard earlier from -- from</p> <p>22 Mr. Billingsley, Postal Service and all</p>
1526	<p>1 be paid under the Service Contract Act for both</p> <p>2 Guard II and Police I positions.</p> <p>3 And we took an average over the -- over</p> <p>4 the locations where Postal Police Officers work,</p> <p>5 and for security guard, that -- that Guard II,</p> <p>6 that average is \$17.71 an hour, and for police,</p> <p>7 it's \$26.88 an hour. And compare that to the PPO</p> <p>8 hourly rate of \$27.60. Now, that hourly rate</p> <p>9 includes the shift differential, which is the --</p> <p>10 the pay they -- they receive for working nights</p> <p>11 and weekends in their -- within their 40-hour</p> <p>12 shift. So it's supplemental pay that they</p> <p>13 receive for working a basic 40-hour work week.</p> <p>14 Q And it doesn't include overtime?</p> <p>15 A It does not include overtime. And it's</p> <p>16 properly included because that is the pay that's</p> <p>17 paid to Postal Police.</p> <p>18 But the SCA, as I mentioned -- if you</p> <p>19 go to the second page of that exhibit, the SCA</p> <p>20 also requires that --</p> <p>21 Q Mr. -- Joe.</p> <p>22 A Yes.</p>	1528	<p>1 federal -- all postal employees receive fairly</p> <p>2 generous -- very generous, I would characterize</p> <p>3 it as -- benefit package, far -- far in excess of</p> <p>4 that received by the typical private sector</p> <p>5 worker, and that's reflected here. But we</p> <p>6 included benefits in the PPO hourly rate. You</p> <p>7 can see, at the bottom, \$35.27 an hour for the</p> <p>8 PPO wage and benefit rate.</p> <p>9 And as you can see in the bottom row of</p> <p>10 the slide, the premium, when you include the</p> <p>11 benefits over Guard II, is about 66 percent,</p> <p>12 and -- and there's a significant premium even</p> <p>13 from Police I of 16 percent. So this is the</p> <p>14 appropriate comparison to make, the fully-loaded</p> <p>15 rate, including wages and benefits. The PRA does</p> <p>16 say -- does indicate that -- that comparability</p> <p>17 for wages and benefits are -- are appropriate.</p> <p>18 Q So you're not saying that Police I is</p> <p>19 the proper comparator?</p> <p>20 A I -- I -- I -- as I said earlier, you</p> <p>21 know, the Postal Service and I concur with the</p> <p>22 position that they're more like Guard II than</p>

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1529	<p>1 Police I. Police I is put in there as a point of 2 comparison, but -- but even if you look at Police 3 I, you can see that Postal Police wages and -- 4 and especially when you include benefits, that 5 there is -- they're either at market or -- or 6 have a wage and benefit premium to workers under 7 the Service Contract Act. 8 Q Okay. Turning to Slide 16, let's talk 9 about voluntary quit rates. 10 A So I've been involved in a lot of 11 interest arbitrations, and in those interest 12 arbitrations, both sides, you know, present 13 testimony on -- on comparability and how the 14 wages of the particular union stack up against 15 their private sector counterparts. And, you 16 know, often times, it can be just, you know, a -- 17 it can be a duel of labor economists 18 or econometricians, and lot of data is -- and a 19 lot of energy is spent showing, you know, that 20 the -- making the case that there is or is not a 21 wage premium. 22 But it comes down to, in a lot of</p>	1531	<p>1 workers for the level of work that they do, 2 compared to opportunities that they have 3 elsewhere. Low quit rates have been noted by 4 various panels over the years in interest 5 arbitration, and the other thing to note is that 6 PPO quit rates are just exceedingly low. 7 Q How low are they? 8 A On this slide, you can see a -- a 9 summary of the quit rate, the voluntary quit 10 rates for the last six years from fiscal year 11 2008 through fiscal year 2013. There's two 12 categories to -- to the quit rate. We call them 13 notice of action codes. You'll see that in the 14 far left column there. That's -- that's just 15 a code that HR used to classify various personnel 16 actions. 17 317 is the classification for someone 18 who just quits the Postal Service and leaves 19 federal service all together. Voluntary quit 20 rates also include, though, NOA Code 320, which 21 is a transfer to another federal agency. So the 22 combination of an outright quit and someone that</p>
1530	<p>1 cases -- and, you know, how do you measure 2 whether or not -- how can you tell whether or not 3 a wage premium exists among a particular group of 4 workers? And one very compelling measure of that 5 is -- is the voluntary quit rate. It seems 6 almost common sense, but if a firm pays below 7 market wage -- below market wage, you would 8 expect to see employees leave to opportunities -- 9 more attractive opportunities elsewhere, and it 10 works in reverse. 11 If a firm pays above market wages, you 12 would expect to see lower quit rates, that people 13 would -- would tend to stay. It's called 14 retention. I think Tom Pavlik mentioned, you 15 know, the recruitment retention part of it, that 16 the firms see that they're having a retention 17 problem. One of the things they want to look at 18 is how does their wage rate stack up against 19 similar workers elsewhere. 20 So the quit rates are -- are a very 21 good measure of the sufficiency of the 22 compensation that's received by a group of</p>	1532	<p>1 transfers to another federal agency -- both 2 are -- the combination of those two are -- make 3 up the voluntary quit rate for the Postal 4 Service. 5 Q And is that the commonly-accepted 6 definition of quit rates? 7 A It is. It's identical to the quit rate 8 definition of the federal government, the OPM. 9 There are BLS surveys, one we'll be talking about 10 in particular, that use the same classification. 11 But let's take a look at the quit rates 12 here. They range from -- overall from -- from 13 less than 1 percent, 0.9 percent, to 1.5 percent 14 over that six-year period of time. Resignations 15 are 1 percent or less. Transfer to other 16 agencies are even lower, so -- so... 17 Q Could you put this -- put this into 18 context, please? 19 A Sure. On this slide, to put it in 20 context, we look at -- compare PPOA quit rates to 21 those of the four major bargaining units. We 22 also compare that to two -- two -- the private</p>

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1533	<p>1 sector and -- and the federal sector. And you'll</p> <p>2 see the acronym "JOLTS" there. That's a survey</p> <p>3 that's developed by the Bureau of Labor</p> <p>4 Statistics. It stands for Job Openings and Labor</p> <p>5 Turnover Survey. It's a very widely-used survey.</p> <p>6 It's widely watched. The private sector</p> <p>7 voluntary quit rate so happens to be Janet --</p> <p>8 Janet Yellen's favorite indicate of the health of</p> <p>9 the job market in the private sector.</p> <p>10 But if you look at the PPOA quit rates</p> <p>11 relative to other bargaining units, they -- they</p> <p>12 are similar. They're not exact. They are, you</p> <p>13 know, in general, marginally higher than -- than</p> <p>14 other bargaining units, but not -- not -- not</p> <p>15 much. They're much, much lower than the private</p> <p>16 sector quit rate. And I think it's important to</p> <p>17 note that Postal Service quit rates and, in</p> <p>18 particular, for PPOA, are just a fraction of the</p> <p>19 voluntary quit rates that we see in the federal</p> <p>20 sector.</p> <p>21 ARBITRATOR OLDHAM: Hold up a minute,</p> <p>22 please. Are the -- are the entries on the rows</p>	1535
1534	<p>1 that are designated JOLTS comparable to the</p> <p>2 entries on the above rows?</p> <p>3 THE WITNESS: Yes. The definition of</p> <p>4 quits in -- in JOLTS is the same as the one</p> <p>5 employed by the Postal Service and the federal</p> <p>6 government, OPM. And OPM does a number of cuts</p> <p>7 on -- in JOLTS does a number of cuts on quit</p> <p>8 rates for various sectors, industries, types of</p> <p>9 workers.</p> <p>10 ARBITRATOR OLDHAM: So job openings and</p> <p>11 labor turnover is synonymous with quit rate?</p> <p>12 THE WITNESS: No. Job Openings</p> <p>13 and Labor Turnover Survey -- quit -- voluntary</p> <p>14 quit rate is one thing that they measure. They</p> <p>15 also look at new hires. They look at other</p> <p>16 separations. It's a very broad survey that looks</p> <p>17 at movement, I guess, in -- or developments in</p> <p>18 the -- in the labor market. So they look at the</p> <p>19 number of job openings, for example, and --</p> <p>20 ARBITRATOR DUFEK: What we're trying to</p> <p>21 figure out is, is the JOLT number that you put</p> <p>22 into the private sector, the 26.7 to 22.3 ranging</p>	1536

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1537	<p>1 ARBITRATOR OLDHAM: Yeah. And I don't</p> <p>2 mean to be dense, but all we're trying to do --</p> <p>3 THE WITNESS: I --</p> <p>4 ARBITRATOR DUFEK: Well, you're -- I</p> <p>5 think what -- you need to describe how you got</p> <p>6 the voluntary quit rate out of the JOLTS survey.</p> <p>7 Did they break it down that way?</p> <p>8 THE WITNESS: Yes. Yes. They have</p> <p>9 a --</p> <p>10 ARBITRATOR DUFEK: That's --</p> <p>11 THE WITNESS: -- voluntary quit</p> <p>12 category in --</p> <p>13 ARBITRATOR DUFEK: That's what I think</p> <p>14 you're not getting across.</p> <p>15 THE WITNESS: Okay. I'm sorry. I</p> <p>16 thought it was a different question. But, yes,</p> <p>17 JOLTS includes a voluntary quit category. It is</p> <p>18 a standalone report that includes job -- that</p> <p>19 includes quit rates by month.</p> <p>20 ARBITRATOR OLDHAM: And that's what</p> <p>21 these figures are?</p> <p>22 THE WITNESS: That's what they are.</p>	1539	<p>1 might return to the workforce?</p> <p>2 THE WITNESS: Not a retiree.</p> <p>3 ARBITRATOR BJORK: Well, return to the</p> <p>4 workforce after retirement, temporarily,</p> <p>5 supplementing their income.</p> <p>6 THE WITNESS: If that person is in the</p> <p>7 workforce and they quit their job, they will be</p> <p>8 included in this survey. And, you know, that's</p> <p>9 also why I included the federal sector, because</p> <p>10 that's more or less like the -- you know, same</p> <p>11 benefit package, and, you know, it's fairly</p> <p>12 comparable to the Postal Service in many ways.</p> <p>13 It has a much lower quit rate than -- than the</p> <p>14 private sector, as you would expect, but it's</p> <p>15 worth noting that that's still several multiples</p> <p>16 higher than -- than quit rate for posts employees</p> <p>17 and the PPOA.</p> <p>18 ARBITRATOR BJORK: I just had -- had</p> <p>19 one more on page 17. What does the post office</p> <p>20 consider a resignation?</p> <p>21 THE WITNESS: You quit. You -- you say</p> <p>22 I am no longer -- you don't get a paycheck from</p>
1538	<p>1 It's an accumulation of 12 months for each year.</p> <p>2 ARBITRATOR OLDHAM: Okay. So these do</p> <p>3 not include those other elements that JOLTS --</p> <p>4 THE WITNESS: Oh, no, no. They don't</p> <p>5 include resignations or -- I mean, excuse me --</p> <p>6 they don't include retirements or other</p> <p>7 separations, no.</p> <p>8 ARBITRATOR OLDHAM: Thanks.</p> <p>9 THE WITNESS: Strictly voluntary quits.</p> <p>10 ARBITRATOR OLDHAM: Okay. That's what</p> <p>11 we didn't understand.</p> <p>12 THE WITNESS: Okay. All right. I</p> <p>13 apologize.</p> <p>14 ARBITRATOR BJORK: Now, would that</p> <p>15 include a child in the workforce?</p> <p>16 THE WITNESS: Excuse me?</p> <p>17 ARBITRATOR BJORK: Would that include a</p> <p>18 child in the workforce, an entry-level job, a kid</p> <p>19 working at McDonald's?</p> <p>20 THE WITNESS: The private sector would,</p> <p>21 yes. Yes.</p> <p>22 ARBITRATOR BJORK: Or a retiree that</p>	1540	<p>1 the Postal Service anymore. You -- you quit.</p> <p>2 ARBITRATOR BJORK: So you have to</p> <p>3 actually leave the Postal Service?</p> <p>4 THE WITNESS: You leave the Postal</p> <p>5 Service and --</p> <p>6 ARBITRATOR BJORK: So --</p> <p>7 THE WITNESS: -- you don't retire and</p> <p>8 you're not fired and you're not transferring to</p> <p>9 the another federal agency.</p> <p>10 ARBITRATOR BJORK: So a PPO that --</p> <p>11 THE WITNESS: And you don't die.</p> <p>12 That's a separate classification.</p> <p>13 ARBITRATOR BJORK: A PPO that quit and</p> <p>14 went into maintenance isn't a resignation?</p> <p>15 THE WITNESS: That's not a resignation.</p> <p>16 That's a reassignment.</p> <p>17 ARBITRATOR BJORK: Or a PPO that quit</p> <p>18 and went back to being a letter carrier?</p> <p>19 THE WITNESS: They don't quit -- they</p> <p>20 don't quit the Postal Service. They get</p> <p>21 reassigned to another job within the Postal</p> <p>22 Service --</p>

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1541	<p>1 ARBITRATOR BJORK: But I think the</p> <p>2 reason I'm asking --</p> <p>3 THE WITNESS: That's not a quit.</p> <p>4 ARBITRATOR BJORK: I think the reason</p> <p>5 I'm asking this is, the entrance letter for PPOs</p> <p>6 said, when you become a PPO, you're resigning</p> <p>7 your previous position.</p> <p>8 THE WITNESS: That's not true. It says</p> <p>9 in that entry letter that they're reassigned to a</p> <p>10 Postal Police Officer. I just reviewed it this</p> <p>11 morning.</p> <p>12 MS. GONSALVES: Those -- those exhibits</p> <p>13 are C-16 and C-17.</p> <p>14 THE WITNESS: I believe Teresa entered</p> <p>15 them into evidence this morning as C-16 and C-17.</p> <p>16 MS. GONSALVES: You can ask him</p> <p>17 questions about it, if you'd like.</p> <p>18 Do you want me to -- Jim, do you want</p> <p>19 to --</p> <p>20 ARBITRATOR BJORK: I can get back to</p> <p>21 it.</p> <p>22 MS. GONSALVES: Do you want me to put a</p>	1543	<p>1 accepting the fact that you have no guarantee of</p> <p>2 employment once you accept the PPO job?</p> <p>3 THE WITNESS: That's no different than</p> <p>4 any -- if a city letter carrier gets reassigned</p> <p>5 to a postal clerk job in the APWU and they fail</p> <p>6 to qualify for scheme training, for example, they</p> <p>7 can be terminated for that. There's no --</p> <p>8 there's no contractual obligation to return them</p> <p>9 to their former position. A city letter carrier,</p> <p>10 it happens that that becomes -- or excuse me -- a</p> <p>11 clerk that becomes a city letter carrier and</p> <p>12 fails the driving test, they can be terminated.</p> <p>13 Now, are they? Sometimes not, but they can be.</p> <p>14 And so this is no different -- this is</p> <p>15 -- this policy is no different for Postal Police</p> <p>16 Officers than it is for any other postal</p> <p>17 bargaining unit employees who switches crafts.</p> <p>18 You have to qualify for the position that you're</p> <p>19 transferring to. Failure to qualify can result</p> <p>20 in termination. There's no contractual guarantee</p> <p>21 or obligation for the Postal Service to take you</p> <p>22 back to your former position. So, in that</p>
1542	<p>1 copy in front of him? That's all I'm asking.</p> <p>2 ARBITRATOR BJORK: Sure. That would be</p> <p>3 fine.</p> <p>4 MS. GONSALVES: Okay.</p> <p>5 ARBITRATOR BJORK: On 15, page 3.</p> <p>6 THE WITNESS: So are we going back to</p> <p>7 the SC --</p> <p>8 MS. GONSALVES: No. It's actually 16,</p> <p>9 C-16.</p> <p>10 ARBITRATOR BJORK: Oh, I'm sorry.</p> <p>11 Sixteen.</p> <p>12 THE WITNESS: Sixteen.</p> <p>13 ARBITRATOR BJORK: Right below the</p> <p>14 bolded "reinstatement," where there's no</p> <p>15 obligation to assist in returning to your former</p> <p>16 position.</p> <p>17 THE WITNESS: Right.</p> <p>18 ARBITRATOR BJORK: So --</p> <p>19 THE WITNESS: That -- that -- I'm</p> <p>20 sorry. Go ahead.</p> <p>21 ARBITRATOR BJORK: No. Well, wouldn't</p> <p>22 that be considered that you're -- you're</p>	1544	<p>1 respect, it's no different than any other</p> <p>2 bargaining unit.</p> <p>3 BY MS. GONSALVES</p> <p>4 Q What have fact-finding panels and</p> <p>5 interest arbitration panels had to say about</p> <p>6 voluntary quit rates, going to Slide No. 19?</p> <p>7 A Well, there are two examples here, one</p> <p>8 in the 1994 Florman fact-finding report with</p> <p>9 the -- with the PPOs. There were a number of</p> <p>10 issues that the fact-finding panel addressed in</p> <p>11 their opinion, and one of them was the quit rate</p> <p>12 or the comparability, and they addressed the quit</p> <p>13 rate in terms of comparability. And they said</p> <p>14 that the acid test of whether a compensation</p> <p>15 package is competitive is the voluntary quit</p> <p>16 rate.</p> <p>17 In 2000 and -- in the 2001, 2002</p> <p>18 Arbitrator Goldberg award with the APWU, he was a</p> <p>19 little more explicit about -- about what quit</p> <p>20 rates mean and their relationship to -- to -- to</p> <p>21 the level of compensation received by those</p> <p>22 employees. In his award, in the supplemental</p>

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1545	<p>1 award on economic issues that was issued in 2002, 2 he said, The Postal Service jobs are highly 3 sought after, and once obtained, are held onto. 4 The quit rate is all but nonexistent. 5 And he went on to talk about retention 6 and -- recruitment and retention. These data 7 quit rates and applicant queues provides powerful 8 support for the Postal Service argument that the 9 Postal Service provides a wage and benefit 10 package to APWU employees that is better than 11 that available for comparable work in the private 12 sector. 13 To put this in a little bit of context, 14 I mentioned earlier that, you know, we have the 15 dueling econometricians in interest arbitration, 16 and -- and Arbitrator Goldberg made the point 17 that for every claim that one side made, the 18 other side had a -- an economist that would come 19 and make exactly the opposite claim. And so he 20 said, you know, that washes out, and what you're 21 left with is -- is -- is evidence. I mean, you 22 know, if the quit rate is -- is this low, it must</p>	1547	<p>1 ARBITRATOR BJORK: Yeah, but the 2 difference here, though, is the PPO quit rates 3 are measured during a time of great recession; 4 whereas, the APWU rates weren't during such a 5 recession. 6 ARBITRATOR DUFEK: 2001 was a 7 significant -- 2000 and 2001 were 8 fairly significant -- I sat on that board, as you 9 know -- 10 THE WITNESS: Yes. 11 ARBITRATOR DUFEK: -- and that was 12 immediately after the tech bubble burst. So it 13 actually was a difficult time. 14 THE WITNESS: Yeah. And, you know, the 15 health of the overall job market, you know, it 16 does -- you can -- you can look at quit rates 17 over time, and you can pick out where recessions 18 are or where -- where there's periods of high 19 unemployment. It's not -- but it's not -- it 20 ranges from, you know, 1 percent to 2 percent 21 with the Postal Service. 22 You could see that in -- if we go back</p>
1546	<p>1 mean that the opportunities or the pay package 2 that they receive is -- is superior to that that 3 they could receive elsewhere. 4 MS. GONSALVES: And just for the 5 panel's reference -- you don't need to turn 6 there -- the Goldberg award and supplemental 7 award are behind Tab I-15 in Volume 3. 8 BY MS. GONSALVES 9 Q So what did he mean by these all but 10 nonexistent quit rates? 11 A I think it's -- it's useful to look at 12 the APWU quit rates that Arbitrator Goldberg was 13 referring to in his award. He was looking at 14 APWU quit rates for the four previous years, and 15 you can see on this slide, between 1.9 percent 16 and 2.3 percent. And that compares to the PPO 17 quit rate over the last four years that you can 18 see below there. It's ranges from 0.9 percent to 19 1.4 percent. So the all but nonexistent quit 20 rates that were cited by Arbitrator Goldberg 21 were -- were about double what they -- PPO quit 22 rates are today.</p>	1548	<p>1 to the JOLTS private sector quit rates, just as a 2 point of comparison, you can see during the 3 depths of the -- of the recession, in 2000 -- 4 between 2008 and 2009, the quit rates went down 5 significantly. I mean, they were greatly 6 impacted by the weakness in the job market. 7 They've since rebounded. I think you can sort of 8 track the tepid recovery we've had from the 9 recession in -- in the quit rates there for the 10 private sector and then, to some degree, the 11 federal sector. 12 So, yes, the -- you know, the overall 13 health of the economy, particularly the job 14 market, does have an impact on the quit rates, 15 but the overall point to be made is, by any 16 measure, Postal Police Officer quit rates are 17 extraordinarily low. 18 BY MS. GONSALVES 19 Q So what is your response to the Union's 20 argument that the PPOs have frequently 21 transferred to other postal positions? 22 A We've heard some testimony that -- that</p>

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1549	<p>1 there has been a lot of movement outside -- from</p> <p>2 PPOs to -- to other crafts, to other jobs within</p> <p>3 the Postal Service. And -- and the Postal</p> <p>4 Service does track those reassignments and</p> <p>5 transfers to other -- within the Postal Service</p> <p>6 to other jobs, and what you see here is a</p> <p>7 breakdown of -- of where they went over -- how</p> <p>8 many and where they went over the last six years.</p> <p>9 45 -- there were 70 people total that</p> <p>10 left, and it ranged anywhere from four per year</p> <p>11 up to 22 last year in 2013. But 45 of those 70</p> <p>12 went to supervisory jobs. They went to</p> <p>13 supervisory jobs or other EAS jobs. 25 of those</p> <p>14 70 went to other bargaining units.</p> <p>15 ARBITRATOR OLDHAM: I'm sorry. EAS?</p> <p>16 THE WITNESS: EAS, Executive and</p> <p>17 Administrative Schedule. It's the managers,</p> <p>18 supervisors, technical staff, non-bargaining</p> <p>19 employees.</p> <p>20 BY MS. GONSALVES</p> <p>21 Q Is this uncommon?</p> <p>22 A It's not uncommon. I mean, I think</p>	1551	<p>1 to -- to supervisory or other EAS jobs went on to</p> <p>2 become PPO sergeants. So nearly half of the</p> <p>3 people that -- that were transferred to other</p> <p>4 jobs were promoted to -- to this PPO supervisor.</p> <p>5 Two of them became Postal Inspectors, and another</p> <p>6 13 went to other EAS jobs.</p> <p>7 If you look at the other bargaining</p> <p>8 unit, PPO employees, the 25 that went to other</p> <p>9 bargaining unit jobs, seven of them received</p> <p>10 promotions, and most of those were in the skilled</p> <p>11 mechanic positions in the APWU. Nine people took</p> <p>12 a lateral. A lateral would be to a city letter</p> <p>13 carrier, a mail -- well, not a mail handler -- a</p> <p>14 city letter carrier or a APWU clerk job. And</p> <p>15 nine of them took jobs at lower level.</p> <p>16 So the data here does speak, I think,</p> <p>17 well of the -- the up -- opportunities available</p> <p>18 for career advancement in the Postal Service, but</p> <p>19 it says absolutely nothing about the adequacy of</p> <p>20 the Postal Police salary relative to other</p> <p>21 bargaining units.</p> <p>22 Q Could you summarize for the panel the</p>
1550	<p>1 this is a -- this is very typical for postal --</p> <p>2 all bargaining units and in management jobs, too.</p> <p>3 The Postal Service has a long history and prides</p> <p>4 itself on providing upward mobility and job</p> <p>5 opportunities to its employees.</p> <p>6 I'd like to note that -- that the last</p> <p>7 three postmaster generals started their careers</p> <p>8 as bargaining unit employees. Of our -- our</p> <p>9 executive leadership team, three out of the eight</p> <p>10 members of that executive leadership team, the</p> <p>11 highest level officers in the Postal Service,</p> <p>12 started their careers as bargaining unit</p> <p>13 employees. That's -- that's very typical, very</p> <p>14 common in the Postal Service. There's a lot of</p> <p>15 upward mobility. So the fact that Postal Police</p> <p>16 Officers are taking advantage of those</p> <p>17 opportunities is not surprising, and it's in line</p> <p>18 with what's -- what we see with other groups of</p> <p>19 postal employees.</p> <p>20 On this Slide 23, the next slide, you</p> <p>21 get a little more detail as to where they went.</p> <p>22 30 of the 45 PPOs that -- that were promoted</p>	1552	<p>1 point you're trying to make on voluntary quit</p> <p>2 rates?</p> <p>3 A Yeah. I think the only way you can</p> <p>4 interpret this data on the number of quit rates</p> <p>5 is that -- is that it undercuts the Union</p> <p>6 contention that they're underpaid relative to</p> <p>7 other -- other opportunities that they have</p> <p>8 elsewhere, whether within the federal government</p> <p>9 or elsewhere. They're just not leaving. They're</p> <p>10 not transferring in any large numbers to other</p> <p>11 federal agencies. They're not quitting the</p> <p>12 Postal Service and leaving for other jobs. The</p> <p>13 conclusion that must be drawn, I think, from that</p> <p>14 is that they're not underpaid relative to those</p> <p>15 opportunities.</p> <p>16 Q Could you summarize this portion, the</p> <p>17 first portion of your presentation on</p> <p>18 comparability?</p> <p>19 A Sure. The BLS data clearly indicate</p> <p>20 that Postal Police Officers have a wage premium</p> <p>21 relative to private sector workers performing</p> <p>22 similar levels of work. The wage determinations</p>

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1553	<p>1 show that -- their PPO compensation to be higher</p> <p>2 than that for guards and significantly higher</p> <p>3 than guards and comparable to -- to police</p> <p>4 officers. And the low quit rates provide</p> <p>5 confirmation that Postal Police Officers receive</p> <p>6 a wage and benefit premium.</p> <p>7 Q Would you like to take a brief break,</p> <p>8 or are you --</p> <p>9 A I would if it's okay with the panel.</p> <p>10 ARBITRATOR OLDHAM: That's fine. Let's</p> <p>11 take a ten-minute break.</p> <p>12 (Brief recess.)</p> <p>13 ARBITRATOR OLDHAM: All right.</p> <p>14 BY MS. GONSALVES</p> <p>15 Q Are you ready for the second part of</p> <p>16 your presentation?</p> <p>17 A I am if you are.</p> <p>18 Q Okay. So what is the purpose of this</p> <p>19 part of your presentation?</p> <p>20 A The next part of my presentation, I'll</p> <p>21 be covering Postal Service interest arbitration</p> <p>22 history. And the purpose of this is to provide a</p>	1555	<p>1 they bargained separately from the JBC, the Joint</p> <p>2 Bargaining Committee. The next round of -- the</p> <p>3 next contract round in 1981, the Mail Handlers</p> <p>4 separated from the APWU and NALC and bargained by</p> <p>5 themselves. In 1994, the split was complete.</p> <p>6 The APWU and the NALC, because of differences in</p> <p>7 bargaining priorities, went their separate ways</p> <p>8 and -- and started then to negotiate on their</p> <p>9 own.</p> <p>10 The result is that, today, every</p> <p>11 bargaining unit of the Postal Service, all seven</p> <p>12 bargaining units, have their own pay table. None</p> <p>13 of them are identical. They all have</p> <p>14 differences. Those differences have been -- have</p> <p>15 been established over time because of differences</p> <p>16 in bargaining priorities for each union.</p> <p>17 The PPO itself, we've heard that they</p> <p>18 were once tied to -- we've heard several times</p> <p>19 that they were tied to -- to the APWU NALC,</p> <p>20 but -- but that split occurred in 1991, 23 years</p> <p>21 ago. The Postal Police Officers, the FPPO at the</p> <p>22 time, negotiated a contract that was ratified by</p>
1554	<p>1 little context for -- for this proceeding by</p> <p>2 identifying some of the themes and common threads</p> <p>3 and precedents that -- that have been established</p> <p>4 over the 35 years that the Postal Service has</p> <p>5 been involved with interest arbitrations with its</p> <p>6 unions.</p> <p>7 Q So could you tell us a little bit about</p> <p>8 collective bargaining background before you go</p> <p>9 into the awards?</p> <p>10 A Very quickly, as we've heard, after the</p> <p>11 Postal Reorganization Act in 1971, the -- the</p> <p>12 main units of the -- the main bargaining units of</p> <p>13 the Postal Service bargained jointly for the</p> <p>14 first three contracts, that is to say the APWU,</p> <p>15 NALC, Rural Letter Carriers and City Letter</p> <p>16 Carriers all bargained at the same table,</p> <p>17 received the same -- the wage increase under the</p> <p>18 same contract.</p> <p>19 But over time, differences in -- in the</p> <p>20 bargaining priorities for each of the bargaining</p> <p>21 units started to emerge, and we saw that first</p> <p>22 with the Rural Letter Carriers in 1978. They --</p>	1556	<p>1 the membership that included three lump sum pay</p> <p>2 increases rather than general wage increases</p> <p>3 and -- and new pay table. That's where they</p> <p>4 broke parity with the APWU and NALC. So they</p> <p>5 haven't been paid the same as those bargaining</p> <p>6 units in well over 20 years.</p> <p>7 Q Are you sure that 1991 was 23 years</p> <p>8 ago?</p> <p>9 A No.</p> <p>10 MS. GONSALVES: Unfortunately. So I</p> <p>11 just wanted to say that we put all of the awards</p> <p>12 that Joe's going to be referencing into the</p> <p>13 exhibit binders. We will not be turning to all</p> <p>14 of them. We will be turning to some of them.</p> <p>15 The awards are behind exhibit -- Tab 6 through</p> <p>16 16. I'll be referencing them just so you know</p> <p>17 where to find them, in case you want to see them,</p> <p>18 with the exception of two awards. The Fishgold</p> <p>19 award, we didn't want to put in an extra copy of</p> <p>20 that -- that's Exhibit No. 2 -- and the 1994</p> <p>21 fact-finding report I referenced in my opening,</p> <p>22 and it's behind Tab A-10.</p>

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1557	<p>1 The first award that Joe will be</p> <p>2 referencing is Exhibit 6.</p> <p>3 THE WITNESS: The first interest</p> <p>4 arbitration the Postal Service engaged in with</p> <p>5 one of its bargaining units occurred in 1978 with</p> <p>6 the Rural Letter Carriers. Like I've mentioned</p> <p>7 on the previous slide, the Rural Letter Carriers</p> <p>8 went their own way in 1978, bargained separately</p> <p>9 from the JBC. All four unions, the JBC and the</p> <p>10 rural carriers, negotiated and reached tentative</p> <p>11 agreement on -- on contracts that included a cap</p> <p>12 on COLA. The Rural Letter Carriers ratified that</p> <p>13 contract, and the JBC did not ratify the</p> <p>14 contract. It was not -- it was not ratified by</p> <p>15 the membership.</p> <p>16 We went to arbitration in front of</p> <p>17 Arbitrator Healy in 1978. Arbitrator Healy</p> <p>18 lifted the COLA cap for -- for the JBC, and there</p> <p>19 was some layoff issues involved, too. The Rural</p> <p>20 Letter Carriers ended up with lifetime no layoff</p> <p>21 protection. From day one of becoming a full-time</p> <p>22 rural carrier, they had layoff protection. They</p>	1559	<p>1 that had a very long-lasting impact.</p> <p>2 Q Let's fast forward to 1984, Slide 29.</p> <p>3 A The next round of -- of interest</p> <p>4 arbitrations occurred in 1984. 1984 is fairly</p> <p>5 significant in Postal Service interest</p> <p>6 arbitration history. Over the '70s and '80s,</p> <p>7 postal bargaining unit employees received</p> <p>8 generous wage increases and COLA increases over</p> <p>9 that period of time, to the point where, in 1984,</p> <p>10 the Postal Service believed and had evidence to</p> <p>11 show that -- that it was not in compliance with</p> <p>12 the PRA private sector comparability mandate,</p> <p>13 that postal -- wages and benefits for postal</p> <p>14 employees were in excess of those for private</p> <p>15 sector workers performing similar work.</p> <p>16 The parties were unable to reach an</p> <p>17 agreement in negotiations, went into arbitration</p> <p>18 in front of Clark Kerr with the APWU and NALC.</p> <p>19 Clark Kerr found that Postal Service employees in</p> <p>20 the APWU and NALC craft did enjoy a wage premium.</p> <p>21 He said discrepancies in comparability have</p> <p>22 emerged.</p>
1558	<p>1 continue to enjoy that layoff protection today.</p> <p>2 The other bargaining units did not receive a cap</p> <p>3 on COLA, but they received layoff protection that</p> <p>4 was far less generous than that received by the</p> <p>5 Rural Letter Carriers.</p> <p>6 BY MS. GONSALVES</p> <p>7 Q And why is this important?</p> <p>8 A Well, it's important because for those</p> <p>9 of us who are old enough to remember 1978, it was</p> <p>10 clearly not time to -- when it would be</p> <p>11 beneficial to get a cap on COLA. Inflation was</p> <p>12 very high at the time. The Rural Letter</p> <p>13 Carriers, over the course of their agreement,</p> <p>14 ended up \$1,956 lower salary, lower COLA payouts</p> <p>15 over the term of that agreement because of caps</p> <p>16 on COLA. That's a difference that persists to</p> <p>17 this day, not the full 1,956, but there is a</p> <p>18 difference in salaries 35 years later between</p> <p>19 rural letter carriers and city letter carriers</p> <p>20 due in part to -- to the cap on COLA in 1978.</p> <p>21 It's been a -- it's been a subject of several --</p> <p>22 in interest arbitrations over the years, but --</p>	1560	<p>1 Clark Kerr developed a -- a method or a</p> <p>2 way to deal with the wage premium that he labeled</p> <p>3 moderate restraint. And what he labeled moderate</p> <p>4 restraint is according to -- to Clark Kerr is a</p> <p>5 slowing of wage increases as against the private</p> <p>6 sector by 1 percent a year. In other words, ECI</p> <p>7 was a very new measure at that point, but that</p> <p>8 morphed into, over time, the policy of ECI minus</p> <p>9 one, wage growth in the private sector minus 1</p> <p>10 percent.</p> <p>11 And moderate restraint was -- was</p> <p>12 developed by Clark Kerr on the grounds that the</p> <p>13 postal wage premium did not occur overnight and</p> <p>14 therefore should be gradually reduced until</p> <p>15 wages -- that difference in -- in comparability</p> <p>16 diminished. He did indicate that moderate</p> <p>17 restraint may be needed in future contracts.</p> <p>18 MS. GONSALVES: The Kerr award is</p> <p>19 behind Exhibit 7, and the next award that Joe</p> <p>20 will be discussing is behind Exhibit 8.</p> <p>21 THE WITNESS: In that round of</p> <p>22 negotiations, we also went to arbitration with</p>

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1561	<p>1 the Rural Letter Carriers in front of Arbitrator</p> <p>2 Volz. The Rural Letter Carriers -- the Postal</p> <p>3 Service argument was that the Rural Letter</p> <p>4 Carriers enjoyed a wage premium. Arbitrator Volz</p> <p>5 concurred with that and -- and affirmed the --</p> <p>6 the Kerr wage premium and imposed an award that</p> <p>7 included moderate restraint.</p> <p>8 But the -- the union came into</p> <p>9 negotiations and argued in interest arbitration</p> <p>10 for a catch-up, a restoration of the amount of</p> <p>11 COLA that they had lost -- that they felt that</p> <p>12 they had lost under the 1978 negotiated</p> <p>13 agreement, the one where they ratified a contract</p> <p>14 that included a cap on COLA.</p> <p>15 Arbitrator Volz was very direct on --</p> <p>16 on restoring or catching up their wages to -- to</p> <p>17 those of the APWU and NALC. He said it was -- it</p> <p>18 was impossible to grant any part of the union's</p> <p>19 very strong demand for a payment as a catch-up</p> <p>20 for loss under the 1978 agreement. So this was</p> <p>21 the first of several interest arbitrators over</p> <p>22 the years that -- that found that catch-up or</p>	1563	<p>1 to be defined as -- as wage growth in the private</p> <p>2 sector minus 1 percent per year.</p> <p>3 Also in the 1984 round of collective</p> <p>4 bargaining, all -- all contracts included</p> <p>5 lower -- lower starting salaries for future</p> <p>6 career employees.</p> <p>7 Q So what happened after this round?</p> <p>8 We're now in Volume 3, by the way. That's one</p> <p>9 thing that happened. And we're at Exhibit 9 in</p> <p>10 Volume 3.</p> <p>11 A The late '80s were a period when the</p> <p>12 Postal Service and its unions generally reached</p> <p>13 negotiated agreements, but in 1991, the Postal</p> <p>14 Service did go to arbitration with the APWU and</p> <p>15 the NALC. This was to be the last contract that</p> <p>16 they bargained jointly. Arbitrator -- in front</p> <p>17 of Arbitrator Richard Mittenthal. Mittenthal</p> <p>18 found that -- that the postal wage premium did</p> <p>19 exist for these employees and -- and found that</p> <p>20 continued -- continued moderate restraint was --</p> <p>21 was still necessary. And given that finding, he</p> <p>22 awarded the APWU and NALC modest wage increases</p>
1562	<p>1 internal equity or internal comparability did not</p> <p>2 apply in postal bargaining.</p> <p>3 He did find that -- that the Rural</p> <p>4 Letter Carriers enjoyed approximate parity, what</p> <p>5 he labeled approximate parity with other</p> <p>6 bargaining units despite a lower COLA. Now, his</p> <p>7 approximate parity that he was referring to -- at</p> <p>8 that time, Rural Letter Carrier salaries were</p> <p>9 about 8 percent lower than APWU and NALC. So</p> <p>10 there was, you know, a fairly significant gap,</p> <p>11 but he found that that was -- that constituted --</p> <p>12 that 8 percent gap constituted approximate</p> <p>13 parity. And, again, as I mentioned, he awarded</p> <p>14 the identical economic terms as Clark Kerr did</p> <p>15 earlier.</p> <p>16 Q So what point should we take from the</p> <p>17 1984 round of bargaining?</p> <p>18 A Well, in the 1984 round, following the</p> <p>19 lead of Clark Kerr, all four major unions, plus</p> <p>20 the FPPO and the smaller unions, adopted the Kerr</p> <p>21 package of economic terms, which was -- which was</p> <p>22 moderate restraint. And moderate restraint came</p>	1564	<p>1 and, again, a lower starting salary for future</p> <p>2 career employees.</p> <p>3 Q Okay. Turning to Stark and Clarke,</p> <p>4 they're behind Exhibits 10 and 11.</p> <p>5 A So, in 1994, the Postal Service was</p> <p>6 unable to reach agreement with -- with most of</p> <p>7 its unions. It went to arbitration. For the</p> <p>8 first time -- this was the first contract, again,</p> <p>9 that APWU and NALC negotiated on their own. We</p> <p>10 went to interest arbitration with -- well, it</p> <p>11 started out with -- with Arthur Stark in 1995</p> <p>12 with the NALC.</p> <p>13 He did find that a postal wage premium</p> <p>14 did exist for City Letter Carriers and -- and</p> <p>15 awarded wage increases even more modest than</p> <p>16 those contained in the award of the Mittenthal</p> <p>17 award. Arthur Clark -- I mean, excuse me -- Jack</p> <p>18 Clarke followed up just a few months later for</p> <p>19 the APWU with an award that essentially followed</p> <p>20 the pattern set by -- by Arthur Stark earlier</p> <p>21 with the City Letter Carriers. Both contracts</p> <p>22 included -- they were four-year contracts --</p>

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1565	<p>1 included two years without any general increases, 2 lump sums in lieu of those general increases, and 3 two years of modest wage increases. 4 Q Mail Handlers, Vaughn, is behind 5 Exhibit 12, and it's Slide 34. 6 A In 19- -- a little -- this -- this was 7 an arbitration in front of David Vaughn, 8 Arbitrator David Vaughn with the -- with the 9 Postal Mail Handlers that started in 1996 in the 10 same round of bargaining. A little background is 11 necessary here. 12 In 1991 -- I mentioned earlier that the 13 PPOA or the -- the PPO bargaining agent at the 14 time, the FPPO, negotiated a contract that 15 included three lump sums and no general increases 16 over the term of the agreement. The Mail 17 Handlers in -- in 1991 also negotiated a similar 18 deal that included no general wage increase and 19 three lump sums. 20 In 1994, the Mail Handlers came into 21 negotiations -- and again, like the Rural Letter 22 Carriers in 1985, were demanding that based on</p>	1567	<p>1 mean the incomplete last sentence? 2 A It starts "choices." 3 Q Yeah. 4 A The very last line. 5 Q So it's the last line. 6 A Choices between wages and benefits and 7 long-term versus short-term gains are the right 8 and responsibility of each party in collective 9 bargaining. Interest arbitrators must be 10 reluctant to undue an earlier negotiated 11 agreement on the basis that one party in 12 hindsight thinks the other got the better of the 13 deal. Put another way, a deal is a deal. 14 So Arbitrator Vaughn denied the -- the 15 Mail Handlers' request for demand for catch-up 16 wage increases based on the grounds that, you 17 know, it was -- it was a deal that had been 18 negotiated earlier by the parties. It reflected 19 the priorities of the parties at that time and 20 should not be undone later. 21 He also went on to say on page 10 of 22 the award --</p>
1566	<p>1 internal equity or internal comparability grounds 2 that their wages should be restored to those of 3 the APWU, that they were -- were entitled to a 4 catch-up with the APWU. 5 Arbitrator Vaughn was very direct in 6 his award on that issue. We -- we could turn to 7 the award, I think. I don't have it in front of 8 me. 9 Q It's -- it's Tab 12, Volume 3. You 10 have to go in a few pages because it begins with 11 a memo that was sent to postal managers and 12 officers, but then you'll see the award. It's a 13 pretty -- safe to say it's a very lengthy award. 14 And I think -- well -- 15 A And I'd like you to turn to page 13 of 16 that award. Which tab is this behind? 17 Q Tab 12, Volume 3. 18 A And the very last sentence on page 13 19 is where I'd like to start, where he addresses 20 the -- the union's demand for -- for a catch-up 21 with the APWU. 22 Q And when you say the last sentence, you</p>	1568	<p>1 Q And it's the last paragraph, third 2 sentence, beginning with "under the act." 3 A Under the act, there is no single 4 USPS-wide set of pay and pay grades. Instead, 5 there are as many pay systems as there are 6 bargaining units. It was clearly contemplated by 7 Congress that each union would be able to make 8 the priority determinations and tactical 9 decisions inherent in collective bargaining and 10 that represented -- represented employees would 11 reap the benefits and burdens of the bargain 12 struck by their representatives. 13 So -- so he was very, very clear about 14 denying them a catch-up to the APWU. 15 Q And why is that important here? 16 A Well, it's -- one of the things that 17 the union in this proceeding is -- is asking for 18 is a catch-up or a restoration to -- to what they 19 claim is a -- an internal -- an internal equity 20 grounds, that they've fallen behind City Letter 21 Carriers and other bargaining groups and are 22 demanding a catch-up with those bargaining units.</p>

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<p style="text-align: right;">1569</p> <p>1 But these -- that issue, that 2 particular issue, internal equity, internal 3 comparability catch-up, whatever you want to call 4 it, has been addressed by several interest 5 arbitration panels, and -- and Vaughn is one. 6 Q Turning to Slide 35, could you 7 summarize the 1994 round of bargaining? 8 A The 1994 round of bargaining, the -- 9 the existence of a wage premium was affirmed 10 by -- by the arbitrators. Following the lead of 11 the Stark -- the Stark award, all four major 12 bargaining units adopted wage package -- a wage 13 package that included two years without general 14 wage increases and rebased COLA. 15 It's also interesting -- useful to 16 point out that in 1994 is when the PPOAs -- PPOs 17 -- excuse me -- agreed to and ratified their 18 collective bargaining agreement that eliminated 19 COLA if Postal Police Officers and -- and general 20 increases and replaced COLA and general increases 21 with annual ECI minus one wage increases. That 22 was a three-year agreement in 1994 that they</p>	<p style="text-align: right;">1571</p> <p>1 best final offer process. Both parties argued 2 their case. Both parties filed post-hearing 3 briefs. There was still a wide discrepancy 4 between the positions of the parties. There was 5 an extensive round of hearings. There was a lot 6 of testimony on both sides, but they were still, 7 far, far apart at the end, so -- 8 ARBITRATOR OLDHAM: Was this total 9 package, final offer? 10 THE WITNESS: It was on three issues. 11 ARBITRATOR OLDHAM: Three issues. 12 THE WITNESS: The three issues were the 13 duration of the contract, the amount of the 14 general wage increases and the grade of City 15 Letter Carriers going forward. 16 The Postal Service best final offer -- 17 in 1998, the Postal Service reached an agreement 18 with the APWU on a two-year wage package. The 19 Postal Service best final offer mirrored the 20 economic terms of the APWU collective bargaining 21 agreement. The Postal Service argued that it was 22 necessary to -- those -- those terms were</p>
<p style="text-align: right;">1570</p> <p>1 agreed to. Two years into that three-year 2 agreement in 1996, the parties agreed to a 3 two-year extension with the -- with the same 4 terms, ECI minus one percent wage increases in 5 lieu of general wage increases in COLA. 6 Q The Fleischli award is behind Exhibit 7 13. What is your -- what is your -- please 8 describe the Fleischli award. 9 A Well, we've heard something about the 10 Fleischli award already. The Union has mentioned 11 the Fleischli award in his awarding the City 12 Letter Carriers an upgrade based strictly on 13 internal equity or internal comparability, and -- 14 and that -- and they're correct. The Fleischli 15 award was unique among postal interest 16 arbitration awards in that he explicitly did not 17 look at private sector comparability and instead 18 focused entirely on internal equity. It's 19 useful, I think, though, to sort of point out how 20 we got to or to describe how we got to where we 21 were with Fleischli. 22 The Fleischli award was the result of a</p>	<p style="text-align: right;">1572</p> <p>1 necessary for the City Letter Carriers because a 2 wage premium for City Letter Carriers still 3 existed and the policy of moderate restraint 4 therefore applied. 5 The NALC best final offer included a 6 pay increase to reflect that automation had 7 changed the very nature of their job. So 8 their -- their best final offer included a -- a 9 three-year duration of general wage increases 10 that more or less patterned after the APWU 11 agreement, but it included a one level upgrade. 12 The NALC argued against the Postal 13 Service best final offer on the grounds that the 14 deal that the Postal Service negotiated with the 15 APWU reflected the bargaining priorities of the 16 APWU bargaining unit. The APWU bargaining unit, 17 they argued -- and they argued the reason they 18 negotiated separately starting in 1994 was that 19 the APWU bargaining priorities had shifted more 20 towards job security issues. Automation affected 21 the clerk craft very -- very heavily. It was -- 22 it was -- the writing was on the wall that</p>

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1573	<p>1 automation was going to replace many of the jobs</p> <p>2 in the clerk craft and -- and the City Letter</p> <p>3 Carriers argued that that influenced their</p> <p>4 bargaining -- bargaining priorities and that job</p> <p>5 security issues -- they placed a higher value on</p> <p>6 job security issues. The City Letter Carriers</p> <p>7 did not see that job security was a major issue</p> <p>8 for them and instead were focused on wages.</p> <p>9 The City Letter Carriers also argued</p> <p>10 that automation had changed their job, not just</p> <p>11 changed the mix of duties, although that was part</p> <p>12 of it. They were spending more time on the</p> <p>13 street than in the office, but their main</p> <p>14 argument was that automation made their job much</p> <p>15 more difficult, that those duties themselves had</p> <p>16 changed and that automation with the third bundle</p> <p>17 and the scanner made their job much, much more</p> <p>18 difficult. They had to go through the mail and</p> <p>19 look for things like changes of address and</p> <p>20 mistakes in the sorting, and so their job became</p> <p>21 more difficult.</p> <p>22 At the end of the day, Fleischli</p>	1575	<p>1 Handlers, for example, and -- and that proved to</p> <p>2 be true.</p> <p>3 And, you know, the Fleischli award was</p> <p>4 awarded in September of '99, and in early 2000,</p> <p>5 the Postal Service was in negotiations with one</p> <p>6 of its smaller unions represented by the APWU.</p> <p>7 It was then called the ISC, the Information</p> <p>8 Service Center. It represented about 1,200</p> <p>9 information technology and accounting services</p> <p>10 workers in four of our data centers.</p> <p>11 As we expected, the APWU argued for --</p> <p>12 for upgrades based on internal equity in front of</p> <p>13 Arbitrator Collins. Specifically, they were</p> <p>14 looking for a two grade upgrade for -- for</p> <p>15 programmers within the IT bargaining unit based</p> <p>16 on internal equity grounds.</p> <p>17 And I'd like to turn to the Collins</p> <p>18 award and how he addressed this.</p> <p>19 Q That's Exhibit 14 in this same binder</p> <p>20 we were just in, Volume 3.</p> <p>21 A First of all, I don't know what page</p> <p>22 the quote on the slide is, and I don't have that</p>
1574	<p>1 obviously came down on the side of the City</p> <p>2 Letter Carriers. They were awarded an upgrade.</p> <p>3 BY MS. GONSALVES</p> <p>4 Q I think you used the word "unique" to</p> <p>5 describe the internal comparability approach that</p> <p>6 Fleischli took. And just to ask one more</p> <p>7 question on that, has any subsequent interest</p> <p>8 arbitrator adopted or endorsed Fleischli's</p> <p>9 approach to internal comparability?</p> <p>10 A No. No, they haven't. And -- and I</p> <p>11 think it's -- as we'll see shortly, the Postal</p> <p>12 Service argued during the Fleischli award that</p> <p>13 focusing on internal equity would -- would prove</p> <p>14 toxic to collective bargaining in the Postal</p> <p>15 Service, if you didn't have a private sector</p> <p>16 comparability mandate and unions could come in</p> <p>17 and argue for wages relative to what other postal</p> <p>18 employees made, that the Postal Service just</p> <p>19 couldn't conduct effective collective bargaining</p> <p>20 with any union, that there would be leapfrogging,</p> <p>21 you know, that the whole case would be centered</p> <p>22 around what City Letter Carriers make versus Mail</p>	1576	<p>1 in front of me, but I -- he did address the whole</p> <p>2 Fleischli issue right up front. He said, The</p> <p>3 chairman here has no doubt that the 1999</p> <p>4 Fleischli award will pose substantial problems</p> <p>5 for future bargaining.</p> <p>6 So if we turn to the page of the -- of</p> <p>7 the Collins award, the first full paragraph</p> <p>8 there, Arbitrator Collins deals directly with --</p> <p>9 with the APWU demand for a catch-up wage increase</p> <p>10 for the ISC membership.</p> <p>11 He says, The APWU contends that the ISC</p> <p>12 employees are entitled to a large catch-up wage</p> <p>13 increase. The chairman knows of no authority in</p> <p>14 Postal Service interest arbitration awards or in</p> <p>15 labor relations doctrine or law supporting such</p> <p>16 an entitlement. He goes on to say, If such</p> <p>17 catch-up were to be a factor in interest</p> <p>18 arbitration and be principled, it would have to</p> <p>19 work both ways. Every interest arbitration would</p> <p>20 be a replay of prior negotiations or interest</p> <p>21 arbitrations.</p> <p>22 So Arbitrator Collins explicitly</p>

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1577	<p>1 rejected the internal equity argument of the APWU</p> <p>2 in his award. He did find a wage premium for IS</p> <p>3 workers in general and awarded the wage package</p> <p>4 that included moderate restraint.</p> <p>5 Q Let's turn to Slide 38, the Goldberg</p> <p>6 award, which is behind Exhibit 15.</p> <p>7 A The 1998 agreement with the APWU is</p> <p>8 only a two-year agreement, so it -- it expired in</p> <p>9 November of 2000, about a year after -- following</p> <p>10 the Fleischli award. This was a -- a central</p> <p>11 issue of -- of that negotiation and interest</p> <p>12 arbitration was the APWU's very strong demand for</p> <p>13 catch-up to the historical standing that they had</p> <p>14 as -- as with City Letter Carriers.</p> <p>15 Arbitrator Goldberg, like Arbitrator</p> <p>16 Collins before him, explicitly rejected that</p> <p>17 demand. I think we heard testimony from</p> <p>18 Professor Belman last week that Arbitrator</p> <p>19 Goldberg somehow gave them an upgrade with a wink</p> <p>20 and a nod and just didn't call it that, but I</p> <p>21 think Arbitrator Goldberg was very, very explicit</p> <p>22 about his reasoning.</p>	1579
1578	<p>1 And if we turn to the supplemental</p> <p>2 award, which is -- and I apologize for this,</p> <p>3 but -- he issued an award and then -- on the</p> <p>4 general issues and then a supplemental award on</p> <p>5 the economic issues about a month later.</p> <p>6 Q You'll see the -- the numbering repeat.</p> <p>7 So it's Exhibit 15. You'll see the first award</p> <p>8 is 30 pages, and the supplemental award starts</p> <p>9 right after that.</p> <p>10 A And if you turn to page 8 of that</p> <p>11 supplemental award, I think -- Arbitrator</p> <p>12 Goldberg's disposed of that argument for internal</p> <p>13 equity in the first paragraph at the top of</p> <p>14 that -- in the first sentence at the top of that</p> <p>15 page. Initially, I reject the APWU argument --</p> <p>16 ARBITRATOR DUFEK: Wait a minute. I'm</p> <p>17 not -- you're on the --</p> <p>18 MS. GONSALVES: Are you on the second</p> <p>19 one?</p> <p>20 ARBITRATOR DUFEK: -- wrong page or</p> <p>21 something.</p> <p>22 THE WITNESS: It's page 7. I'm sorry.</p>	1580

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1581	<p>1 Postal Service. Rather than internal parity, the</p> <p>2 PRA requires comparability with the private</p> <p>3 sector. We have been presented with ample --</p> <p>4 presented ample evidence in these proceedings</p> <p>5 that the differences which arose over time in</p> <p>6 pay, benefits and work rules are the direct</p> <p>7 result of the differences in priorities the</p> <p>8 various parties placed on obtaining particular</p> <p>9 contract provisions. These differing priorities</p> <p>10 led to differing results. This is the nature of</p> <p>11 the collective bargaining process.</p> <p>12 Q And what did he decide as to the wage</p> <p>13 premium?</p> <p>14 A He did find that -- that Rural Letter</p> <p>15 Carriers enjoyed a wage premium relative to the</p> <p>16 private sector and -- and awarded a pay package</p> <p>17 to reflect that.</p> <p>18 Q The 2008 Fishgold award is Joint</p> <p>19 Exhibit 2.</p> <p>20 A We'll be talking more about the</p> <p>21 Fishgold award a little bit later, but it is part</p> <p>22 of the interest arbitration history that I think</p>	1583
1582	<p>1 is worth discussing in this proceeding.</p> <p>2 Arbitrator Fishgold also explicitly rejected</p> <p>3 comparability with public sector police that the</p> <p>4 union was arguing for at the time. A couple of</p> <p>5 quotes here. It is clear that the Postal</p> <p>6 Reorganization Act requires that pay comparisons</p> <p>7 be made to the private sector, not to the public</p> <p>8 sector.</p> <p>9 He goes on to say, The panel cannot</p> <p>10 ignore its statutory mandate. As is in the case</p> <p>11 with other postal positions, the evidence needed</p> <p>12 in an interest arbitration proceeding must</p> <p>13 evaluate the wages and benefits that are provided</p> <p>14 for similar work and/or similar skill levels in</p> <p>15 the private sector of the economy.</p> <p>16 Q So could you please conclude Section 2</p> <p>17 of your presentation?</p> <p>18 A Yes. I think there's three precedents</p> <p>19 that are -- that are useful to -- to highlight</p> <p>20 here. The first, there's been a firmly</p> <p>21 established precedent of general wage -- of</p> <p>22 general wage premium that exists among postal</p>	1584

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1585	<p>1 But when they do, I can't recall a single</p> <p>2 instance where an arbitrator has said that --</p> <p>3 that there wasn't a wage premium, a wage and</p> <p>4 benefit premium among postal employees. So when</p> <p>5 they do offer their opinion on comparability of</p> <p>6 the private sector counterparts, it's always that</p> <p>7 there's a wage and benefit premium enjoyed by</p> <p>8 Postal Service employees.</p> <p>9 ARBITRATOR OLDHAM: Yes. And I suppose</p> <p>10 the next thought is -- and answer this for me --</p> <p>11 why should we take into account the fact that a</p> <p>12 prior interest arbitrator found a wage premium</p> <p>13 against the private sector?</p> <p>14 THE WITNESS: Only for this particular</p> <p>15 bargaining unit would it have any weight, I would</p> <p>16 think, you know, because Arbitrator Goldberg</p> <p>17 found that APWU represented employees enjoy a</p> <p>18 wage premium. That -- that should not be a</p> <p>19 factor at all, I don't think, in whether or not a</p> <p>20 wage premium exists for -- for Postal Police</p> <p>21 Officers. And I'm not suggesting that. I'm</p> <p>22 just -- there are a few common threads across,</p>	1587	<p>1 continues to drive this premium as we go forward.</p> <p>2 THE WITNESS: There's no question that</p> <p>3 benefits in the private sector have diminished</p> <p>4 over time. The value of benefits given to</p> <p>5 private sector workers in general have declined,</p> <p>6 have been diminished. There's absolutely no</p> <p>7 question that that's happened. The Postal</p> <p>8 Service employees, though, that has not happened,</p> <p>9 and that's tended to -- the -- to make an already</p> <p>10 large benefit premium even larger over time.</p> <p>11 So, you know, I -- I put up in this</p> <p>12 first bullet a wage premium, and that's a</p> <p>13 misnomer. It's a wage and benefit premium. I</p> <p>14 think if you look at the total compensation</p> <p>15 received by -- by postal employees in general and</p> <p>16 even Postal Police Officers relative to the wage</p> <p>17 and benefit package received by private sector</p> <p>18 workers doing -- performing similar work, it --</p> <p>19 it's fairly large.</p> <p>20 BY MS. GONSALVES</p> <p>21 Q What else would you like to say about</p> <p>22 this particular slide?</p>
1586	<p>1 you know, interest arbitration history, not --</p> <p>2 and that's one of them, that, in general, postal</p> <p>3 workers receive a wage premium.</p> <p>4 The weight that we're asking the panel</p> <p>5 to place on that precedent is another matter, and</p> <p>6 I don't think that -- and we're not suggesting</p> <p>7 that a wage premium for other bargaining units</p> <p>8 should have any influence on the award issued by</p> <p>9 this panel.</p> <p>10 ARBITRATOR OLDHAM: Thank you.</p> <p>11 ARBITRATOR DUFEK: Can I make one</p> <p>12 question, and following up on Arbitrator Oldham's</p> <p>13 question, and that is -- but the one thing that</p> <p>14 is -- is a continuing stream throughout all of</p> <p>15 these interest arbitrations that involve the</p> <p>16 United States Postal Service is comparisons of</p> <p>17 the wage and benefit package to the private</p> <p>18 sector. And I would be interested in your</p> <p>19 perspective -- and some of the comments that</p> <p>20 were, frankly, auditioned by Michael</p> <p>21 Billingsley -- on what is happening to that</p> <p>22 benefit package in the private sector and what</p>	1588	<p>1 A I think that it's been very clear, as</p> <p>2 we pointed out a couple of times, that -- that</p> <p>3 arbitrators have -- and I'm not sure if I</p> <p>4 mentioned this before, but I'll mention it again</p> <p>5 -- that internal comparability is -- is -- is --</p> <p>6 should not be a factor in catch-up wage increases</p> <p>7 for undoing previous agreements between the</p> <p>8 parties or interest arbitrations. It just isn't</p> <p>9 appropriate.</p> <p>10 MS. GONSALVES: I think this concludes</p> <p>11 the second part of your presentation, and I'm</p> <p>12 guessing that you could use a 15-minute break?</p> <p>13 THE WITNESS: 10 or 15, please.</p> <p>14 ARBITRATOR OLDHAM: Fine. Let's try</p> <p>15 and make it 10, but if it's 15, we can live with</p> <p>16 that.</p> <p>17 (Brief recess.)</p> <p>18 ARBITRATOR OLDHAM: Okay. I think we</p> <p>19 are ready to go forward again.</p> <p>20 BY MS. GONSALVES</p> <p>21 Q Okay. We're on Slide 42, so we're</p> <p>22 almost two-thirds of the way through. We're on</p>

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1589	<p>1 Part 3 of your presentation. And this part of</p> <p>2 the presentation is going to focus on what?</p> <p>3 A Postal Police bargaining history. This</p> <p>4 is fairly short. I think we've heard some of</p> <p>5 this before, but the Postal Security Force was --</p> <p>6 was created in April 1970, right before</p> <p>7 reorganization. The first contracts were</p> <p>8 negotiated between the Postal Police and Postal</p> <p>9 Service beginning in 1972.</p> <p>10 And at that time, there were three</p> <p>11 separate unions representing 16 bargaining units</p> <p>12 nationwide. Over time, they merged, and in 1981,</p> <p>13 we heard before the position title was changed</p> <p>14 from Security Police Officer to Postal Police</p> <p>15 Officer. With that name change came no change in</p> <p>16 the duties of or in the statutory limited law</p> <p>17 enforcement authority of the Postal Police force.</p> <p>18 In 19-- the FPPO, in 1984,</p> <p>19 consolidated all of the bargaining units</p> <p>20 nationwide, negotiating nationwide contracts for</p> <p>21 all PPOs in 1984, reached negotiating agreements</p> <p>22 with the Postal Service in 1984, '87 and in '91.</p>	1591
1590	<p>1 FOP, the first contract, they wanted to</p> <p>2 completely rewrite the contract. All 37 articles</p> <p>3 of the contract, they wanted revised, changed.</p> <p>4 They wanted to implement a collective bargaining</p> <p>5 agreement that closely resembled that of a</p> <p>6 municipal police force. Obviously, the Postal</p> <p>7 Service couldn't agree to that. The parties went</p> <p>8 to fact-finding.</p> <p>9 The Florman fact-finding report took</p> <p>10 those -- the many issues that had been raised by</p> <p>11 the Union, distilled them down into six main</p> <p>12 subjects, and one of those was the Union's</p> <p>13 argument for comparability to municipal police</p> <p>14 officers. The Florman panel opinion indicated --</p> <p>15 it says, There's no indication in the act that</p> <p>16 public sector comparisons are appropriate for</p> <p>17 PPOs.</p> <p>18 The parties continued negotiations</p> <p>19 after the issuance of the fact-finding report in</p> <p>20 1994, still could not reach an agreement. An</p> <p>21 arbitration panel was convened in -- later that</p> <p>22 year. They did meet, and after the initial</p>	1592
1590	<p>1 Q Just for the -- for the record and for</p> <p>2 your cross-referencing purposes, the 1981 MOU is</p> <p>3 behind Tab A-5.</p> <p>4 A We mentioned this a little bit earlier</p> <p>5 briefly. The 1991 agreement between the Postal</p> <p>6 Service and the then agent for -- bargaining</p> <p>7 agent for the Postal Police, the FPPO, was the</p> <p>8 one that broke parity with the APWU and the NALC.</p> <p>9 The Union and the Postal Service negotiated three</p> <p>10 lump sum payments in lieu of general wage</p> <p>11 increases, created a new pay schedule. Shortly</p> <p>12 after that -- and this is probably more than</p> <p>13 coincidental -- the FOP-NLC2 replaced the FPPO as</p> <p>14 a bargaining agent for the PPOs in 1992.</p> <p>15 In 1994, there was the first contract</p> <p>16 negotiated by the FOP-NLC2 on behalf of the</p> <p>17 Postal Police Officers. In that round of</p> <p>18 negotiations, as was mentioned earlier, the</p> <p>19 parties did not initially reach a negotiated</p> <p>20 agreement, went to a fact-finding in front of the</p> <p>21 panel headed by Phyllis Florman.</p> <p>22 They -- the Union, at that time, the</p>	<p>1 meeting or two, the parties sat back down and</p> <p>2 were able to negotiate an agreement. And that</p> <p>3 agreement, as we've heard, in 1994, eliminated</p> <p>4 both COLA and general wage increases, replaced</p> <p>5 them with wage increases that were based on ECI</p> <p>6 minus one.</p> <p>7 That -- that contract was sent out and</p> <p>8 ratified by the membership. It was a three-year</p> <p>9 agreement. In 1996, two years into the</p> <p>10 agreement, they -- the parties negotiated and</p> <p>11 ratified a two-year extension, also including ECI</p> <p>12 minus one wage increases. And again, in 1999 and</p> <p>13 2003, the parties also negotiated agreements that</p> <p>14 included ECI minus one wage agreements.</p> <p>15 So -- so earlier in the brief and in</p> <p>16 the opening statements, the Union, I think, left</p> <p>17 the perception that the Union was somehow</p> <p>18 bamboozled into signing up for ECI minus one and</p> <p>19 it was a mistake, but the fact of the matter</p> <p>20 is -- is that the membership -- that the union</p> <p>21 negotiated and the membership ratified on four</p> <p>22 separate occasions contracts that included ECI</p>

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1593	<p>1 minus one wage increases.</p> <p>2 That brings us to 2008. These are the</p> <p>3 terms of the Fishgold award. Arbitrator Fishgold</p> <p>4 awarded -- it was a five-year contract. The</p> <p>5 first two years were not ECI minus one. They</p> <p>6 were 2.3 and 2.7, but he did maintain ECI minus</p> <p>7 one in the three out years of the agreement.</p> <p>8 He -- he reduced the employer contributions</p> <p>9 towards health benefits by 1 percent a year,</p> <p>10 following the lead of the other bargaining units,</p> <p>11 and he added a top step to the pay schedule.</p> <p>12 Q You've discussed this once before.</p> <p>13 You're going to be discussing this a third time</p> <p>14 later on, correct?</p> <p>15 A Some of the -- some of the elements of</p> <p>16 the Fishgold award, yes.</p> <p>17 Q That concludes Part 3. What's Part 4</p> <p>18 about?</p> <p>19 A This brings us to the 2010, the latest</p> <p>20 round of collective bargaining between the Postal</p> <p>21 Service and its unions. We call it the 2010-2012</p> <p>22 round because that's when the contracts all</p>	1595
1594	<p>1 expired. The Postal Service has seven collective</p> <p>2 bargaining agreements with five different unions.</p> <p>3 So far in this cycle, we've -- we've reached</p> <p>4 contracts with four of the unions, one through a</p> <p>5 negotiated agreement, three through interest</p> <p>6 arbitration. This will be the fifth contract</p> <p>7 decided in this cycle. We have two remaining.</p> <p>8 Q And in case you don't have it</p> <p>9 memorized, the voluntary agreement with the APWU</p> <p>10 and the interest arbitration awards in this round</p> <p>11 of bargaining are behind Exhibits 3 through 6.</p> <p>12 A Before we get into the 2010-2012 round</p> <p>13 of bargaining, it's critical to understand the</p> <p>14 business environment, the -- that these</p> <p>15 negotiations took place in. We've heard from</p> <p>16 Curtis Whiteman and others of the recession and</p> <p>17 the impact that the financial crisis had on</p> <p>18 Postal Service finances beginning in 2007, 2008.</p> <p>19 We've seen the sharp decline in postal volumes,</p> <p>20 especially in first class mail, 25 percent over</p> <p>21 the period of a little over a year and 35 percent</p> <p>22 since its peak in 2006. It -- we -- it was truly</p>	1596

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1597	<p>1 dire picture of Postal Service prospects and</p> <p>2 Postal Service finances out to 2020.</p> <p>3 The bottom line was that the McKinsey</p> <p>4 report indicated that Postal Service could</p> <p>5 lose -- based on declining volumes and -- and</p> <p>6 increasing costs and fixed costs and legacy</p> <p>7 costs, stood to lose up to \$230 billion over --</p> <p>8 through 2020 if they did not change, if they did</p> <p>9 not change the way they were operating. So -- so</p> <p>10 all of these things informed negotiations heading</p> <p>11 into the 2010 round --</p> <p>12 Q So what were -- go ahead.</p> <p>13 A -- in a very big way.</p> <p>14 Q So what were the Postal Service's goals</p> <p>15 in light of this context?</p> <p>16 A Well, given that 80 percent of Postal</p> <p>17 Service costs are -- are related to -- to</p> <p>18 compensation, paying benefits for its workforce,</p> <p>19 labor negotiations were seen as a critical</p> <p>20 element of the Postal Service's ability to get</p> <p>21 back on -- to some semblance of financial health.</p> <p>22 So -- so the goals in heading into the 2010 round</p>	1599	<p>1 needed in -- in this round of bargaining.</p> <p>2 All the while, the Postal Service</p> <p>3 wanted and -- and had -- made a sincere attempt</p> <p>4 to -- to minimize the impact on the current</p> <p>5 workforce. I think there was a widespread</p> <p>6 understanding that, you know, postal employees</p> <p>7 didn't cause this crisis and people that worked</p> <p>8 for the Postal Service for their entire career</p> <p>9 weren't responsible for the mess we found</p> <p>10 ourselves in. So, you know, the -- there was</p> <p>11 this underlying goal of trying to minimize --</p> <p>12 doing all this while minimizing the impact on the</p> <p>13 current workforce.</p> <p>14 Q If you could advance the slides to</p> <p>15 Slide 51 and explain to us how this played out in</p> <p>16 the context of the APWU's negotiation. You need</p> <p>17 one more slide.</p> <p>18 A Okay. So, in 2010, November 2010,</p> <p>19 contracts with APWU and the American Postal</p> <p>20 Workers Union and the Rural Letter Carriers both</p> <p>21 expired. We entered into negotiations with those</p> <p>22 two bargaining units in the fall of 2010,</p>
1598	<p>1 of negotiations were -- were -- were very simple,</p> <p>2 and they were -- and they were very necessary.</p> <p>3 Number one, we had to align our labor</p> <p>4 costs with the new business environment. Over</p> <p>5 time, we've had to do that. It's essential. We</p> <p>6 could not continue to -- to have more money going</p> <p>7 out the door in compensation and benefits than we</p> <p>8 could hopefully expect to bring in through</p> <p>9 revenue selling postal products.</p> <p>10 But more than that, we needed immediate</p> <p>11 cost relief. We needed the ability to stop the</p> <p>12 bleeding in the short term and, in longer term,</p> <p>13 looked to change the labor cost structure. The</p> <p>14 labor cost structure going forward had to change.</p> <p>15 So it wasn't just a matter of getting a contract</p> <p>16 that included modest wage increases to -- to tide</p> <p>17 us over until the next round of negotiation. We</p> <p>18 needed to do something in this round of</p> <p>19 negotiations that absolutely changed the cost</p> <p>20 structure of the Postal Service and then with the</p> <p>21 goal of -- of reducing unit labor costs over</p> <p>22 time. Those were the critical elements that we</p>	1600	<p>1 negotiated -- negotiations with the APWU were</p> <p>2 fruitful, but we did not have an agreement by --</p> <p>3 by the time the contract expired in</p> <p>4 November 2010. The parties continued to</p> <p>5 negotiate, and in February 2011, reached a</p> <p>6 tentative agreement. It was truly a landmark</p> <p>7 agreement in Postal Service history. It really</p> <p>8 was -- was -- was unlike any contract we've</p> <p>9 negotiated in the past with any bargaining unit.</p> <p>10 The main elements of the 2010 agreement</p> <p>11 with the APWU in terms of wages included a</p> <p>12 two-year wage freeze -- that was the immediate</p> <p>13 cost relief that the Postal Service was looking</p> <p>14 for -- followed by modest wage increases in the</p> <p>15 out years. We reduced our employer contribution</p> <p>16 towards employee health benefits down to the</p> <p>17 private sector level, the 76 percent, over the</p> <p>18 term of the agreement.</p> <p>19 In terms of what we label here as</p> <p>20 workforce structure is where the real big</p> <p>21 changes, the changes to the labor cost structure</p> <p>22 going forward occurred. We were able to do that</p>

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1601	<p>1 in two different ways. One was -- the first was</p> <p>2 through a two-tier wage schedule for future</p> <p>3 career employees. So what this means is that it</p> <p>4 did not impact the current career workforce, but</p> <p>5 in the future, career employees would come in at</p> <p>6 a lower starting salary and top out at a lower</p> <p>7 top step salary.</p> <p>8 It also included a -- a very large</p> <p>9 increase in the non-career workforce. And the</p> <p>10 non-career workforce, in case it's not obvious,</p> <p>11 is a workforce -- it's a supplemental workforce,</p> <p>12 supplements our full-time workforce. They're low</p> <p>13 cost. They're not career employees. There's</p> <p>14 no -- they have a limited amount of benefits, no</p> <p>15 pension benefits, for example, but they -- we</p> <p>16 were able to -- to increase the use of them up to</p> <p>17 20 percent in the clerk craft, 10 percent in the</p> <p>18 two smaller crafts in the APWU. Overall average</p> <p>19 of our non-career workforce went from about</p> <p>20 3 percent of -- of the workforce up to</p> <p>21 17 percent.</p> <p>22 ARBITRATOR OLDHAM: And these are both</p>	1603
1602	<p>1 temporary and full-time temporary workers?</p> <p>2 THE WITNESS: You know, I think if you</p> <p>3 had to classify them, you'd say they were</p> <p>4 temporary workers. They're not -- we utilize</p> <p>5 them -- essentially, we try to maximize the</p> <p>6 utilization of them. Since we have a limited</p> <p>7 number that we can use, we try to use them 40</p> <p>8 hours a week where possible. So -- but they're</p> <p>9 temporary workers in that they -- they -- they</p> <p>10 serve 360-day terms. They have to be reappointed</p> <p>11 to a new term every -- every year.</p> <p>12 ARBITRATOR DUFEK: Could you tell the</p> <p>13 panel, on balance, how that two-tier wage</p> <p>14 schedule reduced compensation?</p> <p>15 THE WITNESS: Well, I'd like you to</p> <p>16 turn to an Exhibit 72 that I want to talk to you</p> <p>17 about --</p> <p>18 ARBITRATOR DUFEK: Okay. That's fine.</p> <p>19 THE WITNESS: -- that it shows that</p> <p>20 specifically, and I --</p> <p>21 MS. GONSALVES: Yeah. I was just going</p> <p>22 to ask him to go there.</p>	1604

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1605	<p>1 salary. So they all top out at \$48,622 rather</p> <p>2 than \$53,102. If you see -- in the right-hand</p> <p>3 column, you will see the percentage reductions</p> <p>4 there.</p> <p>5 Now, I'll note that 9 through 11 are</p> <p>6 skilled maintenance position -- positions and our</p> <p>7 electronics technicians, our tractor trailer</p> <p>8 drivers, our, you know, other -- other skilled</p> <p>9 positions that we were essentially at market for,</p> <p>10 and there was not a -- a reduction in their</p> <p>11 starting salary or top step. But they represent</p> <p>12 a small percentage of the total overall</p> <p>13 workforce.</p> <p>14 The other thing I'd like to point out</p> <p>15 here -- and this is responsive to -- to an issue</p> <p>16 that the Union has raised, and that's that Postal</p> <p>17 Police Officers -- the differential between</p> <p>18 Postal Service custodians and Postal Police</p> <p>19 Officers is small. And I'd like to point out</p> <p>20 that custodians are in Grades 3 and 4. Most of</p> <p>21 them are at four. The vast majority are at Grade</p> <p>22 4. And under the existing pay schedule for</p>	1607
1606	<p>1 career employees, they started out about</p> <p>2 \$35,000 a year and topped out at 51,000 a year at</p> <p>3 Grade 4.</p> <p>4 Now, that is close to -- to Postal</p> <p>5 Police Officers make. It's close to what APWU</p> <p>6 Grade 6 makes. There's a couple thousand dollars</p> <p>7 difference. And we would agree that that</p> <p>8 differential probably is too small, but it's not</p> <p>9 for the reasons that the union is suggesting.</p> <p>10 It's not that Postal Police Officers are</p> <p>11 underpaid. It's that postal custodians are --</p> <p>12 are very much overpaid. I don't think there's</p> <p>13 any way around it. Postal Service pays</p> <p>14 custodians 25, \$26 an hour on average at the top</p> <p>15 step, and the market wage for a custodian is far,</p> <p>16 far less than that.</p> <p>17 But we did address that, and if you'll</p> <p>18 notice that in the new career salary schedule, we</p> <p>19 reduced the entry-step wage for postal</p> <p>20 custodians, future postal custodians, by</p> <p>21 23 percent, and we reduced the top step wage by</p> <p>22 12 percent. So the Postal Service has addressed</p>	1608

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1609	<p>1 ARBITRATOR DUFEK: Through July of</p> <p>2 2012.</p> <p>3 THE WITNESS: It was grueling, as Bob</p> <p>4 can attest. There were over 6,000 pages of</p> <p>5 transcript. There were -- I lost track of the</p> <p>6 number of witnesses. And the number of binders</p> <p>7 that you have in front of you, that was a day's</p> <p>8 work in the rural carrier arbitration. We had a</p> <p>9 table set up with -- with rows of transcripts and</p> <p>10 exhibits.</p> <p>11 But at any rate, in July 2012, we</p> <p>12 reached an award. Arbitrator Clarke, in his</p> <p>13 award, recognized the financial crisis of the</p> <p>14 Postal Service. He recognized that -- that in</p> <p>15 his award. And you can read the award in --</p> <p>16 BY MS. GONSALVES</p> <p>17 Q Joint Exhibit 4.</p> <p>18 A -- Joint Exhibit 4. But he clearly</p> <p>19 recognized the financial crisis, did indicate in</p> <p>20 his award that -- that most of the problems the</p> <p>21 Postal Service was facing couldn't be addressed</p> <p>22 in interest arbitration, but that he could do one</p>	1611	<p>1 though, the award was significantly different. A</p> <p>2 lot of that had to do with the -- with the unique</p> <p>3 nature of the rural carrier evaluation system,</p> <p>4 the way they're paid and the fact that -- that</p> <p>5 the rural carrier bargaining unit already</p> <p>6 included a very sizable number of non-career</p> <p>7 workers. They represent about 40 percent of the</p> <p>8 overall workforce. They work about 30 percent of</p> <p>9 the work hours in the rural carrier bargaining</p> <p>10 unit. So -- so on those sense -- in that sense,</p> <p>11 it differed from -- from the APWU award.</p> <p>12 But what he did do was award a two-tier</p> <p>13 pay schedule for future career employees that was</p> <p>14 modeled on the APWU award. It included a</p> <p>15 reduction in the entry step for future career</p> <p>16 employees, as well as reduction in the top step.</p> <p>17 For the -- for those rural carrier</p> <p>18 non-career workers, the ones that represent</p> <p>19 40 percent of the workforce, now --</p> <p>20 ARBITRATOR OLDHAM: Did you say 40?</p> <p>21 THE WITNESS: 40 percent.</p> <p>22 ARBITRATOR OLDHAM: I thought you said</p>
1610	<p>1 thing, and that was determine what the wages and</p> <p>2 benefits for Rural Letter Carriers were going to</p> <p>3 be. And in doing so, he -- he paid careful</p> <p>4 attention or recognized, at least, the -- the</p> <p>5 agreement that was reached earlier that year</p> <p>6 between the APWU and -- and the Postal Service.</p> <p>7 He did say that this board -- the board</p> <p>8 of arbitration is well aware of the labor cost</p> <p>9 savings that will likely flow to the USPS from</p> <p>10 this collective bargaining agreement -- APWU</p> <p>11 collective bargaining agreement and has referred</p> <p>12 to it in rendering this award.</p> <p>13 Q And what were the terms of that award,</p> <p>14 turning to Slide 53?</p> <p>15 A In terms of wages and health benefits,</p> <p>16 the -- the -- the -- the terms were the same as</p> <p>17 they were in the APWU agreement, a two-year wage</p> <p>18 freeze followed by three years of modest wage</p> <p>19 increases, reduction in the employer contribution</p> <p>20 to health benefits down to the private sector</p> <p>21 level in 2016.</p> <p>22 In terms of workforce structure,</p>	1612	<p>1 30 a moment ago.</p> <p>2 THE WITNESS: 40 --</p> <p>3 ARBITRATOR DUFEK: 40 percent of the</p> <p>4 complement, 30 percent of the hours worked.</p> <p>5 THE WITNESS: Yeah. 40 percent of the</p> <p>6 complement, 30 percent of the hours, roughly.</p> <p>7 Now, up till the -- the Clarke award, the rural</p> <p>8 carrier non-career employees had received COLA</p> <p>9 payments over time. And they didn't receive them</p> <p>10 as they were issued, but at the end of the</p> <p>11 contract, those COLA payments were rolled into</p> <p>12 their basic wage. But going forward in the Clark</p> <p>13 award, he eliminated COLA for that group of</p> <p>14 employees. They no longer received COLA.</p> <p>15 In addition to that, the wage rates for</p> <p>16 future -- rural carriers associates is what</p> <p>17 they're called, the non-career workers -- were</p> <p>18 reduced by 20 percent.</p> <p>19 BY MS. GONSALVES</p> <p>20 Q So let's take a look at Exhibit 18 and</p> <p>21 look at how -- those numbers played out.</p> <p>22 A So, if you look at the table here, you</p>

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1613	<p>1 can see there are two -- two -- two rows there.</p> <p>2 One is the -- the career employee, the 40-hour</p> <p>3 career full-time employee, with an entry-step</p> <p>4 salary of 40,454, top step salary, 52,061. Under</p> <p>5 the new -- terms of the new contract, future</p> <p>6 career employees will be hired at a 13 percent</p> <p>7 lower starting salary, \$35,000, and top out at --</p> <p>8 at slightly less than \$48,000, a 9 percent</p> <p>9 reduction.</p> <p>10 The non-career complement is listed on</p> <p>11 the next line there. The current -- the then</p> <p>12 existing group of non-career employees earned</p> <p>13 either \$19.45 an hour or \$22.97 an hour. Like I</p> <p>14 said, they received regular COLA payments at the</p> <p>15 end of the contract.</p> <p>16 But the new employees coming in will</p> <p>17 receive \$15.56 an hour, which represents a</p> <p>18 reduction of 20 to 32 percent for those</p> <p>19 employees. In addition, they will not receive</p> <p>20 COLA.</p> <p>21 Q Okay. Turning back to Slide 63 --</p> <p>22 ARBITRATOR OLDHAM: Fifty-three.</p>	1615
1614	<p>1 BY MS. GONSALVES</p> <p>2 Q Fifty-three. Sorry. No bifocals. And</p> <p>3 I don't want to throw Bob into a -- make him have</p> <p>4 a temperature or anything, but the next bullet</p> <p>5 talks about work standards. I don't think you</p> <p>6 want to dwell on that --</p> <p>7 A Yeah. The system is a different</p> <p>8 animal. Rural carriers get paid according to a</p> <p>9 set of 40 standards that -- they get time for --</p> <p>10 for performing each and every function during the</p> <p>11 day and -- and those standards determine how much</p> <p>12 they get paid. Now, they're not on the clock, so</p> <p>13 if it takes them less time or more time, they</p> <p>14 still get the same salary. Some of those</p> <p>15 standards, though, were -- were -- were -- they</p> <p>16 were not engineered standards. They'd been</p> <p>17 around in some cases for 50 or 60 years, and they</p> <p>18 just weren't reflective of the time it took to do</p> <p>19 that work.</p> <p>20 The Postal Service argued for changes</p> <p>21 in many of those standards and received some of</p> <p>22 what they asked for in his award. And all told,</p>	1616

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1617	<p>1 parties negotiated a much lower starting salary</p> <p>2 for city letter carriers and maintained the top</p> <p>3 step where it is.</p> <p>4 Along with that came a modified COLA</p> <p>5 formula for those new groups -- for that new</p> <p>6 group of employees that reduces the COLA payout</p> <p>7 for new career employees up to 35 percent, large</p> <p>8 changes in the non-career workforce, as -- as in</p> <p>9 the other agreement, the written agreement with</p> <p>10 the rural carriers and -- and APWU.</p> <p>11 The non-career workers, we created a</p> <p>12 new non-career category called city carrier</p> <p>13 associate. It replaced an existing non-career</p> <p>14 category of TE. That's significant because TEs</p> <p>15 that we had on the roles actually saw their wages</p> <p>16 reduced by -- by more than 30 percent, and COLA</p> <p>17 was eliminated for those employees.</p> <p>18 ARBITRATOR OLDHAM: TE?</p> <p>19 THE WITNESS: TE stands for</p> <p>20 transitional employees. That was the previous</p> <p>21 category of non-career workers within the city</p> <p>22 letter carrier bargaining unit.</p>	1619	<p>1 receive regular COLA payments. Under the new</p> <p>2 salary schedule, they earn between \$15 and \$16.25</p> <p>3 and do not receive COLA. So that -- that</p> <p>4 represented an absolute reduction in salary of</p> <p>5 between 27 and 32 percent.</p> <p>6 ARBITRATOR OLDHAM: Could you just say</p> <p>7 a word about how you calculate these changes in</p> <p>8 terms of the ultimate savings that you were</p> <p>9 giving us as we go forward? Because you must</p> <p>10 have a series of assumptions about the inflow of</p> <p>11 new employees into the workforce.</p> <p>12 THE WITNESS: We do, and -- and they're</p> <p>13 very -- you know, fairly sophisticated models,</p> <p>14 cost models, that we use for costing labor</p> <p>15 contract savings. And what they look at,</p> <p>16 essentially, is a status quo. If nothing</p> <p>17 changed, you didn't get new career workers and</p> <p>18 wage increases, if -- if employees wages</p> <p>19 increased at -- at ECI. That's the -- the</p> <p>20 baseline scenario.</p> <p>21 What we do then is using -- and we have</p> <p>22 attrition forecasts and health benefit cost</p>
1618	<p>1 BY MS. GONSALVES</p> <p>2 Q So, Joe, let's take a look at Exhibit</p> <p>3 19.</p> <p>4 A This is a summary of the new salary</p> <p>5 table for NALC. There's two grades in the city</p> <p>6 letter carrier salary table, Grade 1 and Grade 2.</p> <p>7 Grade 1 is where most City Letter Carriers are.</p> <p>8 Grade 2 represents a higher level that is -- is</p> <p>9 a -- what we call a T6 employee, but the vast</p> <p>10 majority are in Grade 1.</p> <p>11 Under the current schedule, they start</p> <p>12 out at \$44,292, top out at \$56,508. Under the</p> <p>13 new salary table, future career employees will</p> <p>14 come in at a salary that's 22 percent lower,</p> <p>15 \$34,752, and top out at \$56,508, the same as</p> <p>16 current employees. So that was a 22 percent</p> <p>17 reduction.</p> <p>18 The bottom table is the change that</p> <p>19 was for non -- our non-career workforce, city</p> <p>20 delivery non-career workforce, again, two grades.</p> <p>21 Most of them are at Grade 1. Under the TE</p> <p>22 schedule, TEs earn \$22.15 at -- at Grade 1 and</p>	1620	<p>1 increase forecasts and all sorts of things that</p> <p>2 are based into that. We compare that to -- to</p> <p>3 the terms of the new agreement. So for</p> <p>4 attritting employees, we can hire non-career</p> <p>5 employees to replace retiring career employees at</p> <p>6 a lower wage. That's factored into it, and,</p> <p>7 basically, it's the difference between those two.</p> <p>8 ARBITRATOR OLDHAM: Right. And what</p> <p>9 prompted my question was the earlier testimony</p> <p>10 about the extent to which postal employees have a</p> <p>11 high retention rate.</p> <p>12 THE WITNESS: Uh-huh. They're also</p> <p>13 very old. And -- and -- it's true. I mean, our</p> <p>14 workforce is aging. And there was a question</p> <p>15 earlier about the relative age and tenure and</p> <p>16 distribution of employees in other bargaining</p> <p>17 units. Well, I can tell you the overall age of</p> <p>18 postal employees is over 50 years old. We</p> <p>19 haven't hired many employees over the last ten</p> <p>20 years and -- and so the average age has crept</p> <p>21 up significantly. The average tenure is -- you</p> <p>22 know, we have a very, very high percentage of</p>

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1621	<p>1 people that are either eligible to retire right</p> <p>2 at this moment or eligible to retire within the</p> <p>3 next five years, a majority.</p> <p>4 So, you know, they don't quit and our</p> <p>5 quit rates are very low, but most attrition comes</p> <p>6 through retirement. The overwhelming of majority</p> <p>7 of attrition comes through retirement, and we</p> <p>8 will see increasingly more people retire.</p> <p>9 ARBITRATOR OLDHAM: But then you have</p> <p>10 to pay retiree benefits.</p> <p>11 THE WITNESS: We'd have to pay that</p> <p>12 regardless. And we funded those. I mean, those</p> <p>13 are -- those are funded through our CSRS</p> <p>14 contributions, so we pay those on a pay -- not on</p> <p>15 a pay-as-you-go basis. We prefund CSRS and</p> <p>16 pension benefits, and now we're, in one fashion</p> <p>17 or another, funding retiree benefits. So the</p> <p>18 funding of that's been a little more problematic,</p> <p>19 but...</p> <p>20 ARBITRATOR DUFEK: I just have one</p> <p>21 comment. I think it would help the panel to</p> <p>22 appreciate the significance of this CCA consent,</p>	1623
1622	<p>1 not just because of the dramatic cost reductions</p> <p>2 and because of the substantial increase in use,</p> <p>3 but their significance to the terminology of</p> <p>4 transitional employee and CCA.</p> <p>5 And I'd like you just to, you know,</p> <p>6 without going into great depth, make sure that we</p> <p>7 understand the structural -- the permanence --</p> <p>8 the permanence of the structural change going on.</p> <p>9 THE WITNESS: One of the things that</p> <p>10 was negotiated with the new career workers in all</p> <p>11 of our units was that they would serve as a feed</p> <p>12 to -- to future career employees.</p> <p>13 So the APWU workforce, for example,</p> <p>14 they -- they weren't represented by the union.</p> <p>15 They had a casual workforce, which were, you</p> <p>16 know, at-will employees not represented by the</p> <p>17 union. Now these are bargaining unit employees,</p> <p>18 and -- and same thing with the City Letter</p> <p>19 Carriers. So there's that aspect of it, but the</p> <p>20 creation of the CCA also -- so there is a career</p> <p>21 track, if you will, for these people, and they</p> <p>22 will become career or may become career employees</p>	1624

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1625	<p>1 retail occupations, and for many of the</p> <p>2 mail processing operations, maybe less so. But,</p> <p>3 you know, the core/non-core distinction is -- you</p> <p>4 know, it gets at the essence of what you do,</p> <p>5 and -- and it is not a disparaging term. It's</p> <p>6 just a -- it's a descriptive term.</p> <p>7 ARBITRATOR DUFEK: Thank you.</p> <p>8 BY MS. GONSALVES</p> <p>9 Q And what are the estimated savings</p> <p>10 resulting from this contract?</p> <p>11 A The NALC award is expected to save</p> <p>12 \$6 billion over the terms of the contract.</p> <p>13 Q Last but not least, the Mail Handler</p> <p>14 award by Fishgold is Joint Exhibit 6.</p> <p>15 A In February of 2013, Fish- --</p> <p>16 Arbitrator Herb Fishgold issued his award for the</p> <p>17 Mail Handlers. Like the contract before him and</p> <p>18 the arbitrators before him, he awarded the same</p> <p>19 wage and benefit terms as -- as the other units</p> <p>20 got, and he did so explicitly. And here's an</p> <p>21 excerpt from Arbitrator Fishgold's award.</p> <p>22 He said, A review of the past</p>	1627
1626	<p>1 But -- but with that came a modification in the</p> <p>2 COLA formula where future career employees will</p> <p>3 get COLA payouts up to -- up to 35 percent less</p> <p>4 than -- than current employees will.</p> <p>5 Q Exhibit 20 -- excuse me. Exhibit 20 is</p> <p>6 the corresponding chart?</p> <p>7 A Yes. And this is similar to the others</p> <p>8 that we've seen. Mail Handlers are in Grade 4</p> <p>9 and Grade 5. Most of them are at Grade 4. Under</p> <p>10 the current salary structure, they were stuck</p> <p>11 coming in at salary of almost \$33,000 a year and</p> <p>12 topping out at about \$53,000 a year. Under the</p> <p>13 new salary table, new career employees will come</p> <p>14 in at a slightly lower starting salary, \$30,400.</p> <p>15 That's reduction of 7.7 percent.</p> <p>16 Now, I'd like to point out that in the</p> <p>17 2006 contract negotiations with the APWU, the</p> <p>18 parties agreed on a much, much lower starting</p> <p>19 salary for incoming mail handlers in -- in that</p> <p>20 agreement in exchange for an additional top step.</p> <p>21 So their starting salary was already low, as you</p> <p>22 see, \$33,000 a year. It was about 16.50 an hour.</p>	1628
1626	<p>1 agreements negotiated between these parties and</p> <p>2 the awards issued by arbitrators in various</p> <p>3 interest arbitrations make clear that the terms</p> <p>4 of this award should not be set without reference</p> <p>5 to other negotiations and awards that occurred</p> <p>6 during the same round of collective bargaining.</p> <p>7 So he explicitly looked at -- at -- at the wage</p> <p>8 and benefit pattern that had been set and -- and</p> <p>9 based his award on that.</p> <p>10 Q What were the terms of that award,</p> <p>11 turning to Slide 56?</p> <p>12 A Other than the -- the wage and</p> <p>13 benefits, the workforce structure, again, big</p> <p>14 changes with the Mail Handler workforce</p> <p>15 structure. Prior to this, they had no non-career</p> <p>16 employees. We were able to increase the use of</p> <p>17 non-career employees up to 20 percent of the</p> <p>18 bargaining unit. There is, like the other</p> <p>19 bargaining units, a two-tier pay schedule for</p> <p>20 future career employees. It includes a lower</p> <p>21 starting salary for new career and hires, but</p> <p>22 like the NALC, it kept the top step where it is.</p>	1628

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1629	<p>1 Service was facing and continues to face in this</p> <p>2 round of bargaining and the need for shared</p> <p>3 sacrifice in the restructuring of labor costs as</p> <p>4 a result. All included wage and benefits</p> <p>5 concessions. All included lower wages for new</p> <p>6 career employees and significant -- all</p> <p>7 collectively will produce significant changes to</p> <p>8 the labor cost structure going forward. Overall,</p> <p>9 \$12.3 billion in estimated savings.</p> <p>10 Q You ready to plow ahead to the final</p> <p>11 part of your presentation?</p> <p>12 A Yes.</p> <p>13 Q And what is this going to address?</p> <p>14 A The last section is going to cover the</p> <p>15 proposals from the PPOA and the USPS.</p> <p>16 Q You're on Slide 59?</p> <p>17 A I'm on Slide 59, yes. So the PPOA</p> <p>18 proposals, at least as far as we understand them,</p> <p>19 are for an upgrade, locality pay, large general</p> <p>20 increase -- wage increases totaling 10 percent</p> <p>21 over the -- over the term, restoration of COLA</p> <p>22 and additional step at the top of the pay</p>	1631
1630	<p>1 schedule.</p> <p>2 In the brief -- we -- we were -- the</p> <p>3 brief suggested to us that they were seeking</p> <p>4 locality pay. The Union has disputed that point,</p> <p>5 but they want -- I guess it's locality pay -- an</p> <p>6 average of locality pay, which we still consider</p> <p>7 locality pay, but not individual locality -- or</p> <p>8 locality pay to individual PPOs based on their</p> <p>9 location, so some form of locality pay.</p> <p>10 What I'd like to point out, though,</p> <p>11 is -- is that it's useful, I think, to look back</p> <p>12 at what the PPO proposals are -- and you can see</p> <p>13 them on page 60 -- in the -- in 2007 and the ones</p> <p>14 that they argued for in front of Arbitrator</p> <p>15 Fishgold. They're -- they're very, very similar.</p> <p>16 In 2007, they argued for a -- a large upfront</p> <p>17 wage increase. They asked for</p> <p>18 \$5,000 immediately, which represented a</p> <p>19 10 percent wage increase right up front, similar</p> <p>20 to what they're asking for in terms of wage</p> <p>21 increases here in the upgrade. They asked then,</p> <p>22 as they are now, for the restoration of COLA.</p>	1632

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1633	<p>1 comparisons be made to the private sector, not</p> <p>2 the public sector. He went to cite the -- the</p> <p>3 code, 39 U.S.C. 1003(a), as -- as the applicable</p> <p>4 standard.</p> <p>5 Q Joe, I think your -- that quote is</p> <p>6 found on page 9. It's the second sentence under</p> <p>7 wage and benefit comparability on page 9.</p> <p>8 A I got a little ahead of myself. He</p> <p>9 went on to say -- yeah, page 9.</p> <p>10 He went on to say later, I think on</p> <p>11 that same page --</p> <p>12 Q It is on the same page.</p> <p>13 A -- as is the case with other postal</p> <p>14 positions, the evidence needed in an interest</p> <p>15 arbitration proceeding must evaluate the wages</p> <p>16 and benefits that are provided for similar work</p> <p>17 and/or similar skills in the private sector of</p> <p>18 the economy.</p> <p>19 So the next argument that the union</p> <p>20 made before Fishgold that they're making here as</p> <p>21 well is that due to their ECI minus one wage</p> <p>22 increases, that they'd fallen behind the wages</p>	1635	<p>1 A I did.</p> <p>2 Q Wait. It's going to take a moment</p> <p>3 because people have to shuffle. It's Exhibit 21,</p> <p>4 going back to Volume 3.</p> <p>5 A And this was what Arbitrator Fishgold</p> <p>6 was referring to when he made that comment</p> <p>7 that -- that the net result reasonably</p> <p>8 corresponds to the wage increases received by PPO</p> <p>9 under the ECI minus one formula.</p> <p>10 What I've done here on this first page</p> <p>11 is to look each of the four contract terms from</p> <p>12 1994 through 2012 and looked at the -- the wage</p> <p>13 increases received by PPOs under the ECI minus</p> <p>14 one formula and compared that to the general</p> <p>15 increase in COLA received by APWU Grade 6</p> <p>16 employees in that same contract here.</p> <p>17 And so if you look at the top table up</p> <p>18 there, you see under the -- for the 1994 to 1999</p> <p>19 contract, PPOs received ECI minus one wage</p> <p>20 increases totaling 11.4 percent over that</p> <p>21 five-year term, an average of about 2.3 percent a</p> <p>22 year. APWU Grade 6 employees received a</p>
1634	<p>1 paid to other postal bargaining units. They were</p> <p>2 asking for a catch-up based on internal</p> <p>3 comparability or internal equity grounds.</p> <p>4 Arbitrator Fishgold found that PPO wage</p> <p>5 growth approximated that of other bargaining</p> <p>6 units. And what he said -- and I believe that's</p> <p>7 on page 11, about -- the first full paragraph</p> <p>8 about halfway down, the sentence starts "those</p> <p>9 agreements."</p> <p>10 Those agreements contain a combination</p> <p>11 of small general increases and increases based on</p> <p>12 changes in CPI. The net result reasonably</p> <p>13 corresponds to the wage increases received by</p> <p>14 PPOs under the ECI minus one formula.</p> <p>15 So what Arbitrator Fishgold said was</p> <p>16 that -- you know, that ECI minus one wage</p> <p>17 increases over time were -- were approximate to</p> <p>18 those of the other bargaining units. And -- and</p> <p>19 I'd like you to turn to --</p> <p>20 Q Exhibit 21.</p> <p>21 A -- Exhibit 21.</p> <p>22 Q Did you create this document?</p>	1636	<p>1 combination of general increases in COLA payments</p> <p>2 over that same period of time that totaled about</p> <p>3 8.2 percent or 1.6 percent per year.</p> <p>4 So PPOs -- this explains, I guess --</p> <p>5 goes a long way to explain why the PPOs</p> <p>6 negotiated and agreed to an ECI minus one based</p> <p>7 contract in 1999. They did well on the --</p> <p>8 remember that '94 contract was originally a</p> <p>9 three-year agreement. They extended it for two</p> <p>10 years. They did quite well. You take -- go to</p> <p>11 1999, you see the same thing, less pronounced,</p> <p>12 but you see the same thing. PPO wages under --</p> <p>13 under the ECI formula -- minus one formula</p> <p>14 includes 10.8 percent over the term of the</p> <p>15 agreement versus 10.1 percent for APWU Grade 6.</p> <p>16 It's an average of 2.7 a year for PPOs, 2.5</p> <p>17 percent a year for APWU Grade 6.</p> <p>18 Now, you'll see, in 1999, it was zero</p> <p>19 and 5.5 percent in 2000. That's just a timing</p> <p>20 issue, that the parties did not reach an</p> <p>21 agreement in time to -- to apply the 1999 to</p> <p>22 the -- to their salary at that time. The two</p>

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1637	<p>1 years were -- were lumped together and given as a</p> <p>2 5.5 percent increase in 2000, but, essentially,</p> <p>3 that's a two-year -- two years of wage increases.</p> <p>4 So that brings us to the 2003 contract</p> <p>5 that was agreed to and ratified by the membership</p> <p>6 that included ECI minus one wage increases. And</p> <p>7 you can see it changed a little bit there. It</p> <p>8 changed more than a little bit. PPOs did receive</p> <p>9 pay increases of 6.6 percent or 1.7 percent per</p> <p>10 year versus APWU, 13.3 percent or 3.3 percent</p> <p>11 year.</p> <p>12 And then that brings us to the most</p> <p>13 recently expired contract, where the APWU --</p> <p>14 where the PPOs have received ECI minus one wage</p> <p>15 increases plus the 2.3 and the 2.7 that were</p> <p>16 awarded by Arbitrator Fishgold in 2007 and 2008,</p> <p>17 for a total of 7.1 percent over the term of the</p> <p>18 agreement versus 7.6 percent for the APWU, a</p> <p>19 difference of 1.4 percent to 1.5 percent. So</p> <p>20 that's over each contract period.</p> <p>21 And if you turn to the second page, you</p> <p>22 can see what the accumulative effect over time</p>	1639	<p>1 that, over time, each of the bargaining units has</p> <p>2 bargained according to its own unique priorities</p> <p>3 and -- and that overtime that has resulted in --</p> <p>4 in pay for reach of the bargaining units that's</p> <p>5 different, that's separate.</p> <p>6 Now, the PPOs are, as we saw in</p> <p>7 Mr. Billingsley's testimony this morning, in the</p> <p>8 range of the major four bargaining units.</p> <p>9 They're not at the top. They're not at the</p> <p>10 bottom. But they are in the range, and that</p> <p>11 reflects simply a fact of collective bargaining</p> <p>12 over time.</p> <p>13 ARBITRATOR BJORK: I have a question.</p> <p>14 MS. GONSALVES: I think --</p> <p>15 ARBITRATOR BJORK: Regarding the Postal</p> <p>16 Service's desire to lower wages or limit labor</p> <p>17 costs, Postal Police are unique, in that hiring</p> <p>18 is all done internally, unlike the carriers, you</p> <p>19 know, Mail Handlers, APWU, who almost 100 percent</p> <p>20 are hired from outside of the post office,</p> <p>21 correct?</p> <p>22 THE WITNESS: I would say that's --</p>
1638	<p>1 has been from 1994 to 2011. In total, over that</p> <p>2 period of time, PPOs under the ECI minus one</p> <p>3 formula received wage increases of 35.9 percent</p> <p>4 or 2 percent a year versus 39.1 percent or</p> <p>5 2.2 percent per year for the APWU Grade 6.</p> <p>6 So when -- when Arbitrator Fishgold</p> <p>7 said that the net result reasonably corresponds</p> <p>8 to the wage increases received by PPOs under the</p> <p>9 ECI formula, this is what he was looking at, and</p> <p>10 I think it's clear that that was an accurate</p> <p>11 assessment.</p> <p>12 Q Is there anything else you'd like to</p> <p>13 add as to Slide 63?</p> <p>14 A Yeah. I just want to add that -- you</p> <p>15 know, as we mentioned before, the Union's request</p> <p>16 for internal comparability catch-up, internal</p> <p>17 equity, has been dismissed by every arbitrator</p> <p>18 over the years. And strict internal pay</p> <p>19 comparability hasn't existed for postal employees</p> <p>20 since 1978, when the rural carriers agreed to a</p> <p>21 cap on their COLA. So in -- it's -- it's just</p> <p>22 been a fact of Postal Service bargaining history</p>	1640	<p>1 ARBITRATOR BJORK: I mean --</p> <p>2 THE WITNESS: -- generally correct. I</p> <p>3 mean, we do have a nurse bargaining unit where a</p> <p>4 substantial number of our nurses are recruited</p> <p>5 internally. We have -- ITAS bargaining unit</p> <p>6 represents 1,250 ITAS workers. Those people are</p> <p>7 largely recruited internally.</p> <p>8 So -- so, no, I wouldn't say -- for our</p> <p>9 large bargaining units, our city carriers, clerks</p> <p>10 mail handlers, rural carriers, yeah, I think</p> <p>11 that's generally correct, but it certainly isn't</p> <p>12 universal.</p> <p>13 ARBITRATOR BJORK: And so for the</p> <p>14 occupations you just named, which would be</p> <p>15 similar to the APWU 9, 10 and 11 you mentioned</p> <p>16 earlier that were considered skilled workers,</p> <p>17 would PPOs similarly be considered skilled</p> <p>18 workers?</p> <p>19 THE WITNESS: You know, I think a lot</p> <p>20 of postal employees are skilled workers. And by</p> <p>21 that, I did not mean --</p> <p>22 ARBITRATOR BJORK: And I'm --</p>

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1641	<p>1 THE WITNESS: -- to imply that they're</p> <p>2 skilled and no one else is. What I meant to say</p> <p>3 is that -- that the -- that they're at -- they're</p> <p>4 in occupations where we compete in the</p> <p>5 marketplace for those people. We have electronic</p> <p>6 technicians there. We have automotive</p> <p>7 technicians. We have tractor-trailer drivers.</p> <p>8 We have occupations where there is a clearly</p> <p>9 established market wage and that we clearly</p> <p>10 compete for workers in those job classifications.</p> <p>11 And because of the very specialized</p> <p>12 nature of their work, they -- they were -- it was</p> <p>13 recognized that they were more or less at market.</p> <p>14 There is not a wage premium that exists, for</p> <p>15 example, for tractor-trailer operators. We have</p> <p>16 trouble in some localities recruiting and</p> <p>17 retaining trailer-tractor operators, because, on</p> <p>18 Long Island, they might make a whole lot money</p> <p>19 than they do in North Dakota, but we have a wage</p> <p>20 that pays them the same amount. So -- so it's --</p> <p>21 it's -- there are a handful of postal occupations</p> <p>22 that -- that we do compete with the private</p>	1643	<p>1 have created a lower-tiered employee, that's not</p> <p>2 necessarily possible for PPOs, but it is</p> <p>3 possible --</p> <p>4 THE WITNESS: I --</p> <p>5 ARBITRATOR BJORK: Let me finish. But</p> <p>6 it is --</p> <p>7 THE WITNESS: Okay.</p> <p>8 ARBITRATOR BJORK: -- possible from the</p> <p>9 standpoint that there would be significant</p> <p>10 savings if the hiring was done off the street</p> <p>11 rather than internally.</p> <p>12 THE WITNESS: I will concede that if --</p> <p>13 if the Postal Service implemented a two-tier wage</p> <p>14 schedule with a lower starting salary for PPOs,</p> <p>15 that we would not reap the benefits of that lower</p> <p>16 pay schedule unless we hired people at that entry</p> <p>17 staff, and that would mean hiring people off the</p> <p>18 street. I would concede that, yes.</p> <p>19 ARBITRATOR BJORK: Okay. Thanks.</p> <p>20 MS. GONSALVES: But we're not --</p> <p>21 ARBITRATOR DUFEK: Teresa, I think you</p> <p>22 can just --</p>
1642	<p>1 sector for those people. Postal Police Officers</p> <p>2 aren't one of those.</p> <p>3 ARBITRATOR BJORK: And I was leading to</p> <p>4 that -- was -- if the post office were given</p> <p>5 the -- let me think about how to ask this.</p> <p>6 The PPOA has never limited, through</p> <p>7 contract negotiations, the ability of the Postal</p> <p>8 Service to hire people from outside the agency,</p> <p>9 have they?</p> <p>10 THE WITNESS: No. I believe that's a</p> <p>11 policy decision that's been made by the</p> <p>12 Inspection Service.</p> <p>13 ARBITRATOR BJORK: But not by the</p> <p>14 Union.</p> <p>15 THE WITNESS: Well, I'm -- I -- you</p> <p>16 know, the -- the Postal Service sets its hiring</p> <p>17 policies, and I think that's --</p> <p>18 ARBITRATOR BJORK: But --</p> <p>19 THE WITNESS: -- what they determined</p> <p>20 is best.</p> <p>21 ARBITRATOR BJORK: I guess what I'm</p> <p>22 leading at is, given the fact that other units</p>	1644	<p>1 MS. GONSALVES: I'll keep going.</p> <p>2 BY MS. GONSALVES</p> <p>3 Q So moving to the third argument that</p> <p>4 was raised before Fishgold on Slide 64, that the</p> <p>5 duties had changed --</p> <p>6 A Yeah.</p> <p>7 Q And I think, in this one, you're going</p> <p>8 to want to reference the Fishgold award, which is</p> <p>9 Joint Exhibit 2.</p> <p>10 A The police officers -- the Postal</p> <p>11 Police Officers argued in front of Fishgold that</p> <p>12 the duties had changed since 2001, and that</p> <p>13 was -- that was the base -- that formed the basis</p> <p>14 or rationale for their request for an upgrade, a</p> <p>15 large upfront wage increase.</p> <p>16 I think it's useful -- he acknowledged</p> <p>17 that -- Arbitrator Fishgold did acknowledge the</p> <p>18 evolution from fixed posts to more mobile and</p> <p>19 foot patrols, and he awarded them additional</p> <p>20 compensation because of that. The 2.3 and</p> <p>21 2.7 percent wage increases that he offered in the</p> <p>22 first two years of the contract were explicitly</p>

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1645	<p>1 for that purpose. He did say, The panel's award</p> <p>2 does provide additional compensation in certain</p> <p>3 years in recognition of the changes in the</p> <p>4 balance of duties performed by PPOs away from</p> <p>5 stationary posts towards mobile patrols and other</p> <p>6 duties.</p> <p>7 ARBITRATOR OLDHAM: What page are you</p> <p>8 reading from?</p> <p>9 THE WITNESS: That is on page 4 of the</p> <p>10 Fishgold award.</p> <p>11 MS. GONSALVES: No. Page 4 is the --</p> <p>12 the factual background, so -- it's on page 11 at</p> <p>13 the very bottom. It's the sentence that carries</p> <p>14 over onto page 12.</p> <p>15 ARBITRATOR OLDHAM: Thank you.</p> <p>16 THE WITNESS: So -- so that, you know,</p> <p>17 argument was -- was acknowledged and recognized</p> <p>18 by Arbitrator Fishgold, and he did award them an</p> <p>19 update -- an upgrade or additional compensation</p> <p>20 because of that.</p> <p>21 But what we've seen from the 5305</p> <p>22 report is that -- that the duties have not</p>	1647	<p>1 Fishgold arbitration.</p> <p>2 Q So would you say that this issue was</p> <p>3 fully and fairly -- fairly litigated there?</p> <p>4 A I would, yes. This was a major --</p> <p>5 major element of -- of the -- of the hearing.</p> <p>6 Q So moving on to Slide 65, locality pay.</p> <p>7 A Arbitrator Fishgold also addressed the</p> <p>8 issue of locality pay. He said in his award --</p> <p>9 and I do not have the page in my notes. It's on</p> <p>10 page 6, I believe.</p> <p>11 ARBITRATOR DUFEK: It's the second</p> <p>12 paragraph, I think. Yes.</p> <p>13 THE WITNESS: Yeah. And this quote</p> <p>14 comes from -- from the bottom of that paragraph.</p> <p>15 No other bargaining unit employees in</p> <p>16 the Postal Service receive locality pay. The</p> <p>17 chairman believes that awarding locality pay to</p> <p>18 PPOs would be too dramatic a change in the Postal</p> <p>19 Service pay scheme. Inasmuch as inspectors -- as</p> <p>20 the inspectors receive locality pay pursuant to</p> <p>21 an act of Congress, it is to Congress that any</p> <p>22 claim for federal locality pay should be</p>
1646	<p>1 changed significantly since -- since 2007, since</p> <p>2 2008, when the proportion of fixed posts, mobile</p> <p>3 posts and foot patrol has not significantly</p> <p>4 changed over that period of time.</p> <p>5 BY MS. GONSALVES</p> <p>6 Q So what sort of evidence was before</p> <p>7 Fishgold in the proceeding with respect to the</p> <p>8 change in duties? Is that the evidence that's</p> <p>9 found on page 4? Is that the recitation that's</p> <p>10 found on page 4?</p> <p>11 A Yes. And he did talk about the</p> <p>12 arguments that both side made in regards to the</p> <p>13 mix of duties that were performed by Postal</p> <p>14 Police Officers and did acknowledge that they</p> <p>15 were doing more street patrol, foot patrol, less</p> <p>16 fixed post.</p> <p>17 Q And that's the language that's the last</p> <p>18 paragraph of page 4 that carries onto page 5?</p> <p>19 A That's right.</p> <p>20 Q So would you -- you were -- you were at</p> <p>21 these proceedings?</p> <p>22 A I was, yes. I testified in the</p>	1648	<p>1 addressed. The panel does not -- this panel does</p> <p>2 not believe an interest arbitration is the</p> <p>3 appropriate forum for applying the federal</p> <p>4 locality pay system to the PPOs.</p> <p>5 BY MS. GONSALVES</p> <p>6 Q So what conclusions would you like the</p> <p>7 panel to draw from this, turning to Slide 66?</p> <p>8 A Yes. I think the overall conclusion is</p> <p>9 that the Postal Service -- the PPO -- excuse me,</p> <p>10 the PPOA proposals are unwarranted, that -- that</p> <p>11 the -- what the Union's seeking here, the</p> <p>12 proposals of the Union here are virtually the</p> <p>13 same ones that they've pursued in 2007 and argued</p> <p>14 in the 2008 interest arbitration proceeding</p> <p>15 before Arbitrator Fishgold.</p> <p>16 And Arbitrator Fishgold ruled on each</p> <p>17 and every one of these. Arbitrator Fishgold said</p> <p>18 that private sector comparability standard</p> <p>19 applies, not public sector comparability. He</p> <p>20 said that internal comparability is an</p> <p>21 inappropriate standard. He said that duties of</p> <p>22 PPOs remain largely unchanged since two -- excuse</p>

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1649	<p>1 me. He didn't say that. He said that external 2 comparability should be to the private sector. 3 Internal comparability doesn't apply. 4 And because of the 5305 data, we know 5 that duties of the Postal Police Officers have 6 remained largely unchanged since 2008, when 7 Arbitrator Fishgold awarded them additional 8 compensation to -- to compensate for the change 9 in the mix of duties that they experienced over 10 time. 11 So what the Union's seeking here 12 essentially, I think, is to -- is to relitigate 13 the Fishgold award. They're presenting the same 14 proposals. They're presenting the same arguments 15 in support of those proposals, but Arbitrator 16 Fishgold reached a decision on each and every one 17 of those issues. And on that basis alone, the 18 PPOA proposals are unwarranted and should not be 19 awarded. 20 But -- but what they do ignore, I 21 think, in all of this is the financial condition 22 of the Postal Service. That's an element in the</p>	1651	<p>1 groups to participate in addressing that problem. 2 Q So what does the Postal Service propose 3 here? 4 A The Postal Service's proposals are for 5 a contract duration of five years. We're 6 proposing a two-year wage freeze like the other 7 bargaining -- like the other contracts. We're 8 proposing three years of -- of modest wage 9 increases. For the first year, we're proposing 10 1.7 percent in May of 2014 and the maintenance of 11 ECI minus one in years two and three to reflect 12 the fact that Postal Police Officers continue to 13 enjoy a wage premium that and that moderate 14 restraint should apply. 15 ARBITRATOR DUFEK: Do you have a 16 projection of ECI in May of 2015 and May of 17 2016 -- 18 THE WITNESS: Our current -- 19 ARBITRATOR DUFEK: Yes. 20 THE WITNESS: Our current -- 21 ARBITRATOR BJORK: -- that would allow 22 the panel to put a number behind this list?</p>
1650	<p>1 mix that the Union hasn't addressed, and to the 2 extent that they have, they said that it really 3 doesn't matter, because they're such a small 4 bargaining unit, that awarding them the large pay 5 increases that they're seeking wouldn't have a 6 material effect on Postal Service's finances. 7 I'll leave it to the panel to decide, 8 you know, on the merits of that argument, but I'd 9 just like to note that so far in this round of 10 bargaining, we've got four contracts that cover 11 over a half a million workers that all recognized 12 the financial condition of the Postal Service and 13 the need to restructure labor costs in light of 14 that. 15 We also have agreements with three of 16 our management associations that included 17 multiple years of wage freezes, reduction in 18 employee -- employer contributions to health 19 care. All of these groups recognized the crisis 20 facing the Postal Service and -- and the absolute 21 imperative for all postal employees to -- to -- 22 to participate in -- in -- in all -- employee</p>	1652	<p>1 THE WITNESS: Our current projection -- 2 and Michael Billingsley can correct me if I'm 3 wrong -- is 1.2 percent in May of 2015, 4 1.5 percent in May of 2016. 5 BY MS. GONSALVES 6 Q You may have heard earlier that the 7 Union said that this is the first time they had 8 seen this proposal, the first time that they saw 9 the general proposal was in the brief and that 10 the first time that they saw actual numbers 11 attached to the proposal was here. 12 Could you address that? 13 A Well, I think the Union was -- the 14 Union was arguing that our proposal was a 15 5 percent wage cut and they've never seen -- they 16 expressed surprise that we were proposing 17 something other than a 5 percent wage cut. 18 You know, I don't know how much it 19 matters at this point to the panel, you know, 20 what the -- how those discussions evolved over 21 time, but I can say -- and I wasn't involved 22 directly with the Postal Police negotiations, but</p>

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1653	<p>1 I was closely involved. So I don't know the</p> <p>2 substance of the conversations that took place at</p> <p>3 the table on wages, but I can tell you, from my</p> <p>4 experience with the other four unions, where I</p> <p>5 was closely involved with -- with the discussions</p> <p>6 over wages, that although Postal Service had a 5</p> <p>7 percent -- a formal 5 percent wage cut proposal</p> <p>8 on the table, there -- there was absolutely no</p> <p>9 time whatsoever spent in negotiations with those</p> <p>10 unions on a 5 percent wage cut.</p> <p>11 In fact, you know, the proof of that is</p> <p>12 that we did reach an agreement with the APWU on</p> <p>13 terms that are -- that do not include a 5 percent</p> <p>14 wage cut and did not argue a 5 percent wage cut</p> <p>15 in interest arbitration with either -- with any</p> <p>16 of the other three unions.</p> <p>17 Q Okay. Let's move on to the additional</p> <p>18 Postal Service proposals on Slide 68.</p> <p>19 A The Postal Service -- with regards to</p> <p>20 health benefits, the Postal Service proposal is</p> <p>21 to reduce the employer contribution to health</p> <p>22 benefits premiums down to the private sector</p>	1655	<p>1 bargaining, and that the USPS proposals are</p> <p>2 necessary, balanced and reasonable and should be</p> <p>3 adopted by the panel. And that concludes my</p> <p>4 very, very long presentation.</p> <p>5 ARBITRATOR OLDHAM: Okay. Arlus, you</p> <p>6 ready?</p> <p>7 MR. STEPHENS: I am.</p> <p>8 ARBITRATOR OLDHAM: That's a joke.</p> <p>9 MR. STEPHENS: I'm ready. What's the</p> <p>10 panel's preference?</p> <p>11 ARBITRATOR OLDHAM: What's your</p> <p>12 pleasure? I -- my guess is that you'll need some</p> <p>13 time with this witness.</p> <p>14 MR. STEPHENS: I highly doubt I can</p> <p>15 finish today.</p> <p>16 ARBITRATOR OLDHAM: That's what I'm</p> <p>17 thinking.</p> <p>18 ARBITRATOR DUFEK: That's right.</p> <p>19 THE WITNESS: I'm thinking this is a</p> <p>20 sensible time to adjourn until tomorrow morning.</p> <p>21 Is that agreeable to everyone?</p> <p>22 ARBITRATOR BJORK: Can I ask one</p>
1654	<p>1 level of 76 percent by 2016. That's consistent</p> <p>2 with other bargaining units. It's -- it's more</p> <p>3 generous than -- than the contribution made to</p> <p>4 all management employees, including executives,</p> <p>5 who are down to the federal level, executives,</p> <p>6 currently, EAS employees next year.</p> <p>7 We're also proposing a new pay schedule</p> <p>8 for future PPOs. We would reduce the starting</p> <p>9 salary in this -- in this new pay schedule by</p> <p>10 7.7 percent, maintain the top step, and actually</p> <p>11 reduce the overall waiting time from entry to top</p> <p>12 step by about a half a year.</p> <p>13 Q Could you please summarize?</p> <p>14 A It's -- it's been a long presentation,</p> <p>15 but I think there are four, you know, points that</p> <p>16 are worth repeating. One is that private sector</p> <p>17 comparability is the statutory standard for wage</p> <p>18 and benefit levels of postal employees. Pay</p> <p>19 parity hasn't existed amongst bargaining units</p> <p>20 since 1978, with this bargaining unit since 1991.</p> <p>21 Recognition of the financial crisis has informed</p> <p>22 each of the contracts decided in this round of</p>	1656	<p>1 question? The last part you addressed, the</p> <p>2 reduction of the starting salary by 7.7 percent,</p> <p>3 how -- again, you know, furthering what I said</p> <p>4 earlier, how is that possible when nobody is</p> <p>5 hired from that starting point?</p> <p>6 And let me add this, that drawing</p> <p>7 candidates from other bargaining units would be</p> <p>8 even more difficult when their pay is exceeding</p> <p>9 the pay of PPOs at present.</p> <p>10 THE WITNESS: Well, the starting salary</p> <p>11 wouldn't affect -- affect the last part of that.</p> <p>12 When employees transfer in from other bargaining</p> <p>13 units, they're slotted in according to their</p> <p>14 current salaries. So let's just say a city</p> <p>15 letter carrier that's making, let's say,</p> <p>16 \$50,000 a year as a city letter carrier would</p> <p>17 transfer into the Postal Police bargaining unit</p> <p>18 at something slightly above that \$50,000. Our</p> <p>19 payrolls say that you can't -- you don't take a</p> <p>20 pay cut. You get something -- they slot you in</p> <p>21 at a step slightly greater than that. So that's</p> <p>22 not an issue there.</p>

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1657	<p>1 As far as, you know, the efficacy of a</p> <p>2 lower starting salary, if we're not actually</p> <p>3 hiring people at that lower starting salary, I</p> <p>4 would agree with you that it does not -- you</p> <p>5 know, that it -- a minimal effect, unless we</p> <p>6 actually start hiring people from the outside at</p> <p>7 that lower starting salary.</p> <p>8 ARBITRATOR BJORK: Now, what about a</p> <p>9 carrier that's had, for instance, one year of</p> <p>10 service and was starting at that lowest carrier</p> <p>11 scale?</p> <p>12 THE WITNESS: Yeah. And I don't know</p> <p>13 how they line up. A new -- a new city carrier</p> <p>14 comes in now at about \$35,000 a year; whereas,</p> <p>15 they used to come in at \$44,000 a year. I don't</p> <p>16 know off the top of my head how that would line</p> <p>17 up with the lower starting salary. My guess, it</p> <p>18 would be slightly above what the lower starting</p> <p>19 salary for the Postal Police Officers would be</p> <p>20 and therefore wouldn't be affected by that lower</p> <p>21 starting.</p> <p>22 ARBITRATOR BJORK: So if only the</p>	1659	<p>1 but without a buy-in from the Inspection Service</p> <p>2 that would allow the post office to do this, it's</p> <p>3 not going to happen.</p> <p>4 THE WITNESS: That -- that would be an</p> <p>5 issue for -- for the Inspection Service. You</p> <p>6 know, they're -- they're -- they're responsible</p> <p>7 for the -- the hiring policies of Postal Police.</p> <p>8 ARBITRATOR BJORK: And from that</p> <p>9 standpoint, the tail's wagging the dog.</p> <p>10 ARBITRATOR DUFEK: Well, let me just</p> <p>11 make an observation on that. And just to pick up</p> <p>12 on a point, actually, that Jim is making, because</p> <p>13 I think it is relevant to these proceedings --</p> <p>14 and I referenced this when Michael Billingsley</p> <p>15 was chatting, but I'd like to get your</p> <p>16 perspective on as well.</p> <p>17 The -- the head of the United States</p> <p>18 Postal Inspection Service reports directly to the</p> <p>19 postmaster general, and the postmaster general</p> <p>20 has an executive leadership team. And I would</p> <p>21 like your view as to what -- would you agree that</p> <p>22 the relentless focus of the executive leadership</p>
1658	<p>1 starting salary is lowered by 7.7 percent, that</p> <p>2 first jump would be huge, so --</p> <p>3 THE WITNESS: Our -- our --</p> <p>4 ARBITRATOR BJORK: -- you're right back</p> <p>5 to square one, then.</p> <p>6 THE WITNESS: Well, no. Our proposed</p> <p>7 salary schedule is -- is similar to what we got</p> <p>8 with the other bargaining units. And what we did</p> <p>9 with the other bargaining units is that we</p> <p>10 created a new salary schedule that had a uniform</p> <p>11 number of -- a uniform step increase amount and</p> <p>12 52-week waiting periods. Essentially, it's a</p> <p>13 uniform step waiting period and uniform step</p> <p>14 increase amount.</p> <p>15 So rather than get front-loaded pay</p> <p>16 increases or -- and then very small ones at the</p> <p>17 upper steps, those would be evened out. So the</p> <p>18 step increases themselves would be, you know, a</p> <p>19 thousand dollars, \$1,200 each. They'd be uniform</p> <p>20 across all steps, and the waiting period would be</p> <p>21 uniform across all steps.</p> <p>22 ARBITRATOR BJORK: And that being said,</p>	1660	<p>1 team going into the 2010, 2011 round of</p> <p>2 bargaining was reducing labor costs?</p> <p>3 THE WITNESS: No question about it.</p> <p>4 That was the fundamental objective. There</p> <p>5 were -- there wasn't even a close second.</p> <p>6 ARBITRATOR DUFEK: And much of that,</p> <p>7 again, was a reflection of not only the financial</p> <p>8 challenge, but the changes in the product market?</p> <p>9 THE WITNESS: Absolutely. And those</p> <p>10 two are related.</p> <p>11 ARBITRATOR DUFEK: And would it be your</p> <p>12 view as a labor economist, based on your</p> <p>13 training, your study, that in your experience,</p> <p>14 the labor markets inevitably follow changes in</p> <p>15 the product market?</p> <p>16 THE WITNESS: Well, certainly, in the</p> <p>17 private sector, they have to, because if you</p> <p>18 don't, you'll -- you'll cease to exist. That --</p> <p>19 that pressure is probably less acute in the</p> <p>20 public sector, but at some point, it becomes, you</p> <p>21 know, an unmanageable problem. You cannot</p> <p>22 continue to lose billions of dollars a year</p>

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1661	<p>1 without consequence.</p> <p>2 ARBITRATOR DUFEK: And at some point,</p> <p>3 in your view, in your judgment, given what's</p> <p>4 happened with all the other bargaining units, is</p> <p>5 there going to be pressure put on the United</p> <p>6 States Postal Inspection Service or has there</p> <p>7 already been pressure put on the United States</p> <p>8 Postal Inspection Service to reduce their unit</p> <p>9 labor costs?</p> <p>10 THE WITNESS: No question that -- that</p> <p>11 is a -- a corporate right goal to reduce labor</p> <p>12 costs.</p> <p>13 ARBITRATOR OLDHAM: And are there ways</p> <p>14 of reducing labor costs in this bargaining unit</p> <p>15 that don't necessarily involve structural change</p> <p>16 to the bargaining unit that could -- could</p> <p>17 envision other options, such as contracting out?</p> <p>18 THE WITNESS: Well, you know,</p> <p>19 obviously, yeah. If the work's not done by this</p> <p>20 bargaining unit -- and there are -- there are</p> <p>21 other lower cost options, yes.</p> <p>22 ARBITRATOR DUFEK: And are there</p>	1663
1662	<p>1 provisions in the existing collective bargaining</p> <p>2 agreement that would preclude that, job security</p> <p>3 provisions or whatever?</p> <p>4 THE WITNESS: Well, job -- there's</p> <p>5 two -- two factors there. One is, you know,</p> <p>6 under the terms of this collective bargaining</p> <p>7 agreement, there are few restrictions on our</p> <p>8 ability to contract work out, so we have quite a</p> <p>9 lot of latitude to contract PPO work out.</p> <p>10 The other factor is that the layoff</p> <p>11 provisions for this bargaining unit cover</p> <p>12 employees that were hired prior to 1999.</p> <p>13 ARBITRATOR OLDHAM: And no layoff or --</p> <p>14 THE WITNESS: The no layoff in the</p> <p>15 contract. Article 3308 of the contract protects</p> <p>16 PPOs who were hired on or before -- I think it's</p> <p>17 April of 1999 -- from involuntary layoff, not</p> <p>18 necessarily that they'll be Postal Police</p> <p>19 Officers, but they'll continue to have employment</p> <p>20 with the Postal Service.</p> <p>21 ARBITRATOR DUFEK: But what percentage</p> <p>22 is --</p>	1664
	<p>1 THE WITNESS: But we have been --</p> <p>2 ARBITRATOR DUFEK: What percentage of</p> <p>3 this unit is covered by that?</p> <p>4 THE WITNESS: I -- that's -- that's 15</p> <p>5 years ago, and given what I know about the -- the</p> <p>6 tenure distribution of this bargaining unit, I</p> <p>7 would say that that covers a not insignificant</p> <p>8 number of them. Whether it's more or less than</p> <p>9 half, I wouldn't want to speculate on, but, you</p> <p>10 know, I -- that would be my best guess is it's</p> <p>11 half or more.</p> <p>12 ARBITRATOR OLDHAM: Perhaps you --</p> <p>13 THE WITNESS: But there's --</p> <p>14 ARBITRATOR DUFEK: Perhaps you -- go</p> <p>15 ahead.</p> <p>16 THE WITNESS: But there's another</p> <p>17 thing. The 2007 to 2012, that just expired</p> <p>18 collective bargaining agreement, included --</p> <p>19 Arbitrator Fishgold -- and I didn't mention this</p> <p>20 when I was talking about the Fishgold award, but</p> <p>21 it was -- an important element of the Fishgold</p> <p>22 award is that Arbitrator Fishgold had -- had</p>	
	<p>1 recognized the reduction in the Postal Police</p> <p>2 officer complement over time, a severe reduction,</p> <p>3 as we contracted work out to ABM for fixed post</p> <p>4 duties. He protected them over the life of the</p> <p>5 agreement.</p> <p>6 There's an MOU that expired with the</p> <p>7 agreement that protects all PPOs who were -- who</p> <p>8 were employed as PPOs over the term of the</p> <p>9 agreement from involuntary layoff. Now, that --</p> <p>10 that protection no longer exists, technically,</p> <p>11 because the expired -- the MOU expired with</p> <p>12 the -- with the agreement in April of 2012.</p> <p>13 ARBITRATOR DUFEK: Could you inform</p> <p>14 this panel, perhaps tomorrow, what percentage of</p> <p>15 the existing bargaining unit is covered by the --</p> <p>16 by the unexpired contract language?</p> <p>17 THE WITNESS: I'd be happy to.</p> <p>18 ARBITRATOR OLDHAM: Anything else, Jim?</p> <p>19 ARBITRATOR BJORK: Oh, no.</p> <p>20 ARBITRATOR OLDHAM: All right. Folks,</p> <p>21 it's been a long day. I think let's call it a</p> <p>22 day, and see we'll everyone here at 9:30 tomorrow</p>	

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<div>1665</div> <div>1 morning. 2 (Whereupon, the proceedings were 3 adjourned at 4:11 p.m.) 4 5 * * * * * 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22</div>	
<div>1666</div> <div>1 CERTIFICATE OF NOTARY PUBLIC 2 I, ERICK M. THACKER, the officer before whom 3 the foregoing arbitration was taken, do hereby 4 certify that the testimony appearing in the 5 foregoing arbitration was taken by me in 6 stenotype and thereafter reduced to typewriting 7 by me; that said transcription is a true record 8 of the proceedings; that I am neither counsel 9 for, related to, nor employed by any of the 10 parties to the action in which this was taken; 11 and, further, that I am not a relative or 12 employee of any counsel or attorney employed by 13 the parties hereto, nor financially or otherwise 14 interested in the outcome of this action. 15 16 _____ 17 ERICK M. THACKER 18 Notary Public in and for the 19 District of Columbia 20 My commission expires: 21 June 14, 2014 22</div>	

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