

Capital Reporting Company  
Postal Police Officers Association Interest Arbitration 01-29-2014

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BEFORE THE BOARD OF INTEREST ARBITRATION

-----: :  
In the Matter of: :  
: :  
UNITED STATES POSTAL SERVICE :  
: :  
                  and : Volume 4  
: (Pgs. 614 to 773)  
POSTAL POLICE OFFICERS :  
ASSOCIATION :  
-----:

Washington, D.C.  
Wednesday, January 29, 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 9:07 a.m., when were present on behalf of the respective parties:

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1 A P P E A R A N C E S

2 Before Arbitrators:

3 James C. Oldham, Impartial Chair  
4 Robert A. Dufek, USPS Member  
5 James Bjork, PPOA Member

6 On behalf of the PPOA:

7 ARLUS J. STEPHENS, ESQUIRE  
8 DONNA MCKINNON, ESQUIRE  
9 MURPHY ANDERSON, PLLC  
10 1701 K Street, Northwest  
11 Suite 210  
12 Washington, D.C. 20006  
13 (202) 223-2620

14 On behalf of the U.S. Postal Service:

15 TERESA A. GONSALVES, ESQUIRE  
16 JULIENNE BRAMESCO, ESQUIRE  
17 United States Postal Service  
18 475 L'Enfant Plaza, Southwest  
19 Washington, D.C. 20260  
20 (202) 268-6704

21 ALSO PRESENT:

22 Chris Vitolo, PPOA  
Eric Freeman, PPOA  
Joshua Pierce, PPOA  
Mike Plaughter, PPOA  
Shawn Fletcher, PPOA  
Joe Alexandrovich, USPS  
Sonya J. Penn, USPS  
Katherine P. Sullivan, USPS  
Janet Peterson, USPS

\* \* \* \* \*

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C O N T E N T S

WITNESS:	DIRECT	CROSS	REDIRECT	RECROSS
DALE BELMAN, PH.D.	652	738	--	--

(Exhibit books were tendered to the arbitrator.)

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1 P R O C E E D I N G S

2 ARBITRATOR OLDHAM: All right. Folks,  
3 I think we're all here. I think we're still  
4 proceeding with the union case. Am I not right?

5 MR. STEPHENS: That's correct.

6 ARBITRATOR OLDHAM: All right. Arlus,  
7 whenever you're ready.

8 MR. STEPHENS: Okay.

9 MS. GONSALVES: We have a couple of  
10 issues to discuss before we begin with the  
11 testimony. Do you want to discuss that, or would  
12 you rather just wait and see?

13 MR. STEPHENS: On which one? On the --

14 MS. GONSALVES: The witness.

15 MR. STEPHENS: With -- sure. I can --  
16 do you want me to go ahead and address that?

17 MS. GONSALVES: It's up to you.

18 MR. STEPHENS: So the -- we had  
19 anticipated having two live witnesses today. One  
20 of our live witnesses is here. The other live  
21 witness --

22 ARBITRATOR OLDHAM: Is still alive, I

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1 trust.

2 MR. STEPHENS: He is still alive,  
3 thankfully. Thankfully, the cause for his  
4 absence is not -- is not as extreme as that.  
5 He -- due to the Senate having scheduled a markup  
6 of the postal bill for today, he -- he's  
7 representative of the Letter Carriers and was  
8 going to testify about a round of bargaining in  
9 1999 and about bargaining with the post office  
10 generally. But he's unnecessarily engaged on the  
11 Hill today, this morning, and so was unable to  
12 testify here.

13 So Teresa and I, if his testimony ends  
14 up being necessary, if the panel wants to hear  
15 it, we'll have to find a way to make him  
16 available on a -- on a later date. He's not  
17 available on either of the two next days that  
18 seem to make sense. So I'm going to make a short  
19 presentation on some facts about it, and that may  
20 just be sufficient. And, consequently, the  
21 hearing day may be a little bit shorter today  
22 than we had initially planned.

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1 ARBITRATOR OLDHAM: All right.

2 MS. GONSALVES: And the other note for  
3 the record was just that I said that I'd come  
4 back and talk a little bit about the maintenance  
5 craft, and I just wanted to note for the record  
6 that the provisions of the collective bargaining  
7 agreement between the Postal Service and the APWU  
8 that are specific to the maintenance craft are  
9 set forth in Article 38 of that contract, which  
10 is Joint Exhibit 3.

11 And just to -- this -- this particular  
12 article talks about things such as the senior  
13 qualified that we had a little bit of testimony  
14 about, selection registers, banded scoring, and  
15 it also talks about promotions contingent upon  
16 satisfactory completion of training.

17 So I just wanted to note that for the  
18 record in case the panel was interested. That's  
19 where you could find those provisions.

20 ARBITRATOR OLDHAM: Thank you.

21 MR. STEPHENS: And, actually, the only  
22 other exhibit we'd like to add that we didn't --

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1 it's a little minor cleanup, if I can pass that  
2 down. I'll give this to Teresa.

3 We forgot we had promised to give the  
4 panel the -- Mr. Scarpello's earning statements  
5 showing that he is, in fact, paid at a rate  
6 higher than custodian now, which I think is shown  
7 on this -- on this form.

8 So that would be Union 88.

9 ARBITRATOR OLDHAM: All right. Thank  
10 you.

11 MR. STEPHENS: In terms of exhibits,  
12 the Union doesn't have a witness to testify to  
13 this exhibit, but we'd like to bring it to the  
14 panel's attention. And it speaks to private  
15 sector comparability. These are exhibits  
16 number --

17 MS. MCKINNON: Seventy.

18 MR. STEPHENS: Union Exhibits No. 70  
19 and 71. 70 is a collective bargaining agreement  
20 between Harvard University and the union  
21 representing its campus police officers, and  
22 Union Exhibit 71 is a posted job description for

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1 that position.

2 MS. GONSALVES: And if I may, since  
3 this is the only opportunity I have a chance that  
4 I -- I can take to add my own exhibits, I just  
5 want to ask: What is the purpose for the entry  
6 of these documents into the record? Is it for  
7 private sector comparability?

8 MR. STEPHENS: That's correct.

9 MS. GONSALVES: Okay. So I thought  
10 there was going to be a Harvard witness. I was  
11 looking forward to that, in fact.

12 And why was Harvard chosen in  
13 particular?

14 MR. STEPHENS: In terms of -- there's a  
15 relative dearth of information about private --  
16 any -- any private entities that purport to have  
17 any police powers that we were able to find.

18 MS. GONSALVES: You couldn't find  
19 collective bargaining agreements and salary  
20 information, things like that?

21 MR. STEPHENS: It's not something  
22 that's -- there's not that many -- I think



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1 there's the -- the court in New Jersey approved  
2 an arbitrator disregarding the New Jersey law  
3 requiring prior accepted comparability for police  
4 because the Court recognized there's -- it's hard  
5 to find information on that.

6 MS. GONSALVES: Okay. What -- then I  
7 would like to introduce a couple exhibits. If a  
8 witness were here, it would be my intention to --  
9 to demonstrate that Harvard's different than  
10 other universities, because Harvard has a  
11 \$32.7 billion endowment as of June of last year,  
12 and it's one of the wealthiest, if not the  
13 wealthiest university in the country.

14 And I have a document on that, which  
15 will be Postal Service Exhibit 13. And this is  
16 a -- an excerpt from the Harvard Magazine, which  
17 talks about the Harvard endowment.

18 ARBITRATOR OLDHAM: So what's the  
19 exhibit number?

20 MS. GONSALVES: Thirteen. C-13. I  
21 apologize for the lack of the three-hole punches.  
22 I guess we can punch them quickly.

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1           And C-14 and C-15, which we'll now be  
2     distributing, this is just background information  
3     about the Harvard Police. It's in that lovely  
4     crimson color. And the points that these  
5     particular exhibits highlight is the fact that  
6     Harvard Police are licensed state police officers  
7     and deputy sheriffs, that they have jurisdiction  
8     over all crimes from beginning to end that are  
9     committed on Harvard campuses, and what that  
10    means is -- with one exception. With certain  
11    types of homicides, Harvard Police don't have  
12    sole jurisdiction, but they have exclusive  
13    jurisdiction over other crimes that are committed  
14    on Harvard property.

15           And the crimes that they have  
16    jurisdiction over include -- the crimes include  
17    rape, domestic violence, hate crimes and, of  
18    course -- it's Harvard after all -- alcohol and  
19    drug crimes. And you'll see in one of these  
20    attachments, if you peruse it, that, basically,  
21    these are the same types of crimes that take  
22    place in any large urban area, and they have

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1 exclusive jurisdiction over them.

2 ARBITRATOR OLDHAM: Thank you.

3 MR. STEPHENS: So the two principal  
4 parts of the Union's case today will be the  
5 attorney presentation of three exhibits that the  
6 panel has. These are Exhibits 67, 68 and 69,  
7 which are -- two of them are briefs filed by the  
8 National Association of Letter Carriers in a 1999  
9 arbitration proceeding. And the third document  
10 is the award issued by the panel in that case,  
11 and that -- I'll give a short presentation on --  
12 on that.

13 So if the -- so the -- the Union would  
14 like to make a presentation on the 1999 interest  
15 arbitration award by Arbitrator George R.  
16 Fleischli. Again, the Union had intended to have  
17 a representative of the National Association of  
18 Letter Carriers, but he was unable to be here  
19 today. The information that I'll be presenting  
20 is not based on personal knowledge. It is based  
21 on the prehearing brief and post-hearing brief  
22 filed by the Union and the award of the

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1 arbitrator.

2           We have not included the post office's  
3 briefs for two reasons. One, I don't have them,  
4 and, second, as you'll see, the arbitrator  
5 largely sided with the Union's position. So  
6 we're not intending to not present the position  
7 both sides were making, but just the arguments  
8 that were -- that we contend that were ultimately  
9 persuasive to the arbitrator.

10           So by way of background, the post  
11 office and the Letter Carriers were parties to a  
12 contract that expired in November 1998. The  
13 Letter Carriers were proposing a -- a longer  
14 agreement than the post office was prepared to  
15 accept, and the carriers were also proposing wage  
16 increases every year and also a pay upgrade for  
17 every carrier, moving them from Grade 6 of the  
18 old Postal Service scale to Grade 7 on account of  
19 what the Letter Carriers contended were  
20 fundamentally changed duties that had not been  
21 compensated. The parties reached an impasse in  
22 bargaining, and Arbitrator Fleischli was chosen

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1 to head the arbitration panel.

2           In the meantime, the two other large  
3 unions had recently completed their negotiations  
4 with the post office and ratified them, and those  
5 contracts called for lesser economic terms than  
6 what the Letter Carriers were proposing. And to  
7 jump to the conclusion, Arbitrator Fleischli  
8 adopted the Letter Carriers' proposal that every  
9 city letter -- letter carrier be upgraded from  
10 the old Grade 5 to Grade 6 on internal  
11 comparability concerns compared to other postal  
12 and employees and what he concluded were  
13 fundamental changes in the nature of letter  
14 carrier work resulting from postal automation.

15           The Letter Carrier's principal argument  
16 was that the carriers should receive a pay  
17 upgrade due to what they described as significant  
18 changes due to technology. In short, they  
19 contended that carriers were carrying more mail  
20 and spending more time outdoors doing so than  
21 they had previously. The technology change was  
22 called DPS.

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1           Prior to 1993, when DPS was -- began to  
2 be introduced, there was testimony that letter  
3 carriers spent approximately 50 percent of their  
4 workday in the office preparing mail for delivery  
5 and then 50 percent of the time in the street  
6 delivering it. According to the Letter Carriers,  
7 DPS shifted an average of 80 minutes per workday  
8 from office time to street time.

9           This -- simplifying it greatly was  
10 the -- the argument justifying the -- the pay  
11 upgrade. The -- the Union had proposed this pay  
12 upgrade concept in the previous arbitration in  
13 1995. The arbitrator then, Arthur Stark,  
14 declined to adopt it at the time, because he felt  
15 that the implementation of this technology change  
16 was -- had only begun. It was far from complete.

17           By 1999, by contrast, the Union argued  
18 to the panel that the -- there was nothing  
19 premature about this request because the  
20 implementation was essentially complete, that  
21 85 percent of city delivery routes had been  
22 converted to this technology, resulting in the

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1 increased time outdoors.

2 ARBITRATOR OLDHAM: Does it matter if  
3 we know what the technology was?

4 ARBITRATOR DUFEK: It might be useful.

5 MR. STEPHENS: Sure.

6 ARBITRATOR DUFEK: It might be helpful  
7 if I just mention it. It's called delivery point  
8 sequence.

9 MR. STEPHENS: Yes.

10 ARBITRATOR DUFEK: And it was an  
11 automation process that allowed the mail to be  
12 delivered to each carrier specific to the route  
13 in a delivery point sequence, so that the  
14 carriers no longer had to what they call case the  
15 mail in order to get it into a delivery point  
16 sequence. That's what DPS stands for. It's --  
17 it's much more complicated, I'm sure, than that,  
18 but that's the basic -- basic sense of it.

19 ARBITRATOR OLDHAM: So it was delivered  
20 to the carriers, in some sense, presorted?

21 ARBITRATOR DUFEK: Yes, in trays  
22 presorted. And the technology just got

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1 sophisticated enough that they could read the  
2 addresses in such a way that the carrier would  
3 get the trays exactly in the manner in which he  
4 would deliver it on the street.

5 ARBITRATOR OLDHAM: Great. Thank you.

6 MR. STEPHENS: And the award -- and I  
7 apologize for the -- the simplified -- the -- the  
8 award -- the opinion accompanying the award goes  
9 into pretty good detail about the different  
10 contentions of the parties about how -- what --  
11 all of the factual results of that, the  
12 consequences. The post office's case was that  
13 this had actually made the job easier for the  
14 carriers in -- in important respects.

15 The Union's argument was that it  
16 actually had made it more difficult, not just  
17 because you're outdoors, but it required more on  
18 the fly -- a lot of stuff that used to be done in  
19 the office, a lot of problem -- advanced problem  
20 solving was delayed until the street, but the --  
21 so I guess the -- Arbitrator Fleischli's opinion  
22 is probably a better source of this than I am, so



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1 I'm trying to keep it a little short.

2 But as you'll see from the opinion,  
3 the -- the Union estimated that the percentage of  
4 city carrier work performed outdoors had risen  
5 from 58.4 percent in 1989 to 68.4 percent by  
6 1998, about a 10 percent shift from indoor to  
7 outdoor. And the Union contended that by  
8 spending more time on the street, this exposed  
9 carriers to greater time exposed to inclement  
10 weather and at increased risk of both physical  
11 injury associated with visiting residences and  
12 also increased risk of crime, being victim of  
13 crime.

14 Thus, the Union argued that the job was  
15 more physically demanding. They had to carry  
16 more mail. They had to carry an additional  
17 bundle called a DPS -- DPS bundle, had to carry  
18 handheld scanners when working their routes. The  
19 Union presented evidence that due to this  
20 increased strain, carriers were suffering  
21 increased injuries, and they presented evidence  
22 of a correlation -- strong correlation between

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1 outdoor work and increased risk of injury.

2           The Union also argued that this  
3 automation had made the carriers' job more  
4 mentally demanding, that the carriers were  
5 required to exercise greater concentration during  
6 street delivery, as carriers now had to perform  
7 work in the street that they previously had  
8 performed in the office prior to automation,  
9 including fixing mistakes that machines had made,  
10 removing undeliverable mail from their bundles on  
11 the street rather than in the office, and finding  
12 accountable items such as registered mail that  
13 were improperly mixed in with the DPS mail.

14           The Union also argued that the  
15 carriers' jobs now required greater use of  
16 memory. Carriers were required now to have  
17 greater knowledge of their routes, including the  
18 names of residents on their routes and current  
19 mail delivery status, for example, mail  
20 forwarding. Whereas, prior to automation,  
21 carriers had in-office memory aids to help them  
22 with those tasks.

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1           And the Union presented evidence --  
2     expert testimony on changed job duties, presented  
3     a professional compensation analyst who testified  
4     about the methods used to establish compensation  
5     programs. Again, this is spelled out in greater  
6     detail in both the Union's briefs and in  
7     Arbitrator Fleischli's award.

8           But in sum, the experts described that  
9     DPS had changed the job of carrier in the  
10    following ways: Increasing the depth of  
11    knowledge required to handle mail on the street,  
12    increased responsibility for independent  
13    decision-making resulting from the need to handle  
14    mail on the street, increased physical dexterity  
15    due to the additional bundles and increased  
16    mental demands.

17           And, again, the post office argued that  
18    DPS had not had a significant impact on the  
19    letter carrier's job and presented several  
20    witnesses to that effect. There -- the ultimate  
21    testimony was that the work changes before and  
22    after the implementation of DPS had actually

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1 reduced the workload of carriers rather than  
2 increased it.

3           The carriers argued that significant  
4 wage increases for carriers were necessary to  
5 restore the purchasing power of city carrier  
6 wages. The Union also argued that the increased  
7 outdoor duties alone warranted higher pay and  
8 presented an expert witness on that effect, who  
9 testified about the economic theory of  
10 compensating wage differentials, that undesirable  
11 job characteristics, including increased hazards  
12 and outdoor work, should be associated with a  
13 positive compensating wage, even if the turnover  
14 rate in the job had not increased due to union  
15 presence.

16           But the main focus of Arbitrator  
17 Fleischli's opinion, as the panel will see,  
18 concerns internal comparability, and in  
19 particular, between the letter carriers and  
20 the -- referred to as the clerks represented by  
21 the American Postal Workers Union. Their pay had  
22 historically been linked, and the two unions had

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1 actually bargained together for several rounds of  
2 bargaining.

3           And the post office urged the panel to  
4 hold the Letter Carriers to that historic  
5 linkage, but the union -- the NALC argued that  
6 the Letter Carriers' job had actually always been  
7 more difficult than that of the clerk, which,  
8 historically, alone, warranted a higher pay for  
9 the carriers. With the increased job burdens  
10 associated with DPS, the Union argued that --  
11 that that -- that further warranted delinking,  
12 and they presented evidence about the relative  
13 difficulty of the jobs to the panel.

14           And in sum, the post office argued that  
15 the Letter Carriers should -- should follow the  
16 same recently negotiated two-year agreement that  
17 the APWU had signed with the post office that did  
18 not include any of the economic improvements that  
19 the Letter Carriers asked for. They argued --  
20 the post office argued to the panel that adopting  
21 the Letter Carriers' economic proposals would  
22 disrupt an established pattern and cause all

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1 manner of difficulty with future bargaining.

2           Jumping to the conclusion, Arbitrator  
3 Fleischli ruled for the Letter Carriers, adopting  
4 their final economic proposal, including wage  
5 increases and the overall pay upgrade. He wrote  
6 an opinion explaining his decision. I will  
7 summarize quickly.

8           He explained that the -- the evidence  
9 in the case convinced him that the DPS had indeed  
10 made the city letter carrier work more difficult  
11 than it had been. He explained that regardless  
12 of whether, as the post office argued, the letter  
13 carriers were already enjoying a wage premium, he  
14 concluded that an outdoor premium applied  
15 warranting higher pay for outdoor work. He  
16 concluded that it had become more difficult to  
17 deliver mail than it had been previously. Thus,  
18 the 10 percent change in letter carrier duties  
19 from indoors to outdoors was significant enough  
20 for him to award a job upgrade of approximately  
21 two-and-a-half percent of pay.

22           He recognized in his decision that the

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1 impact of automation on letter carriers was  
2 somewhat uneven. There was some variability  
3 based on route and location, but that neither  
4 party argued that letter carriers should be  
5 evaluated other than as a whole, so whatever  
6 unevenness there was would roughly even out.

7 And his opinion emphasized that he was  
8 awarding -- his award was based on internal  
9 equity among postal employees and not necessarily  
10 comparability with the private sector. And,  
11 again, he noted that work of city letter carriers  
12 was arguably more difficult than the work of a  
13 clerk even before automation.

14 Finally, he acknowledged the post  
15 office's arguments in favor of adhering to  
16 existing patterns with the other employee unions.  
17 He wrote, however, that while adherence to  
18 patterns often make sense, there are exceptions  
19 to every rule. He wrote that one exception is  
20 where the evidence tends to prove an inequity in  
21 treatment. On the facts of the -- produced in  
22 the 1999 hearing, Arbitrator Fleischli concluded

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1 that the letter carriers were not being properly  
2 compensated vis-à-vis other postal employees,  
3 including due to their changed duties as a result  
4 of DPS in the 1990s.

5 And, again, the Union brings this to  
6 the panel's attention for two reasons, first that  
7 we believe it -- it's relevant to the -- showing  
8 where PPOs have been historically relative to  
9 other postal employees. And we'll be presenting  
10 evidence this morning about that historic  
11 linkage, which the Union contends has fallen  
12 away, and that while we were at a certain -- used  
13 to be at a certain point, vis-à-vis, other postal  
14 employees, we've actually slipped quite a bit  
15 compared to them in the years since.

16 And, second, that that does not even  
17 price in the -- what we contend is a fundamental  
18 transformation of our jobs during that same time  
19 period. So while we believe, had the historic  
20 linkage been -- been the same, we would already  
21 be slightly above the other postal employees, at  
22 which point we would be entitled to additional



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1 compensation based on increased job hazards and  
2 transformed duties. We believe Arbitrator  
3 Fleischli's award also speaks to that point.

4 And, again, I guess I would recommend  
5 the panel to turn to Arbitrator Fleischli's  
6 opinion as a far better source of what he  
7 actually said than what I'm saying he said.

8 MS. GONSALVES: May I make a brief  
9 response?

10 ARBITRATOR OLDHAM: Certainly.

11 MS. GONSALVES: We are going to have a  
12 witness testify about the Fleischli decision and  
13 testify more generally about interest arbitration  
14 history at the Postal Service, but I'd just like  
15 to make five brief points.

16 First of all, I think Mr. Stephens  
17 already alluded to this, but the Postal Service  
18 offer in that case was premised on the pattern  
19 that had been made in previous collective  
20 bargaining agreements.

21 And the second point is that this was a  
22 last best offer arbitration. It's the only one

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1 in Postal Service history where an arbitrator was  
2 faced with accepting all or nothing of one  
3 package versus all or nothing of another. So to  
4 the extent that he awarded the wage package  
5 proposed by the NALC, that is the reason why.

6 Third -- and we'll be talking about  
7 this more later, like I said, but -- and I think,  
8 again, Mr. Stephens already stated this, but I  
9 just wanted to make it clear that Arbitrator  
10 Fleischli found not only a change in the mix of  
11 the carriers' duties, but he found a fundamental  
12 change in the duties themselves.

13 So one example is that additional  
14 bundle that was created by DPS letters. The  
15 letter carriers still had to case some mail that  
16 was not machinable. It couldn't go through the  
17 machines. But those were put in separate  
18 bundles, and there was this additional bundle  
19 that was added.

20 And in addition to that, with -- with  
21 the -- with DPS letters coming on to the scene,  
22 the letter carriers also had another duty, which

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1 was what's called thumbing the mail. The DPS  
2 mail was in delivery point sequence, but the  
3 letter carriers still had to go through and check  
4 each letter to make sure that it was properly  
5 sorted by the machinery, and that was done on the  
6 street. So that was another important changed  
7 duty. It was a new duty that they didn't have  
8 prior to this new automation. And there's  
9 probably other details as well. That's just a  
10 couple of the new duties that were created by  
11 this new automation.

12 Fourth, as Mr. Stephens noted, this was  
13 a decision that was based -- the thrust of it,  
14 its focus, was internal comparability. Again,  
15 this is the only decision in Postal Service  
16 history which awarded wage changes on the basis  
17 of internal comparability. It's the only one.  
18 It's an outlier.

19 And the fifth point is just that it's  
20 unprecedented -- unprecedented in the sense that  
21 it not only was last best offer, but it also was  
22 based on internal comparability. And you'll see

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1 through the testimony of Mr. Alexandrovich that  
2 all subsequent interest arbitrators rejected the  
3 Fleischli analysis because of the damage it could  
4 cause to Postal Service labor relations in the  
5 long run.

6 ARBITRATOR OLDHAM: Thank you.

7 MR. STEPHENS: So we are prepared with  
8 our -- our live witness for today.

9 ARBITRATOR OLDHAM: Fine.

10 MR. STEPHENS: And, Teresa, he's going  
11 to have a PowerPoint.

12 MS. GONSALVES: Well --

13 MR. BELMAN: I don't have to do that.

14 MS. GONSALVES: We can set it up. We  
15 can take a break.

16 MR. STEPHENS: I apologize --

17 MS. GONSALVES: I'm sorry. I asked you  
18 to tell me in advance. I mean, they asked me --

19 MR. STEPHENS: You're right. It's my  
20 fault --

21 MS. GONSALVES: -- should I get it in,  
22 and I said I don't think so.

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1 MR. STEPHENS: It's my fault.

2 MS. GONSALVES: I'm sorry about that.

3 MR. STEPHENS: It's my fault. It's my  
4 fault. It's my fault.

5 MS. GONSALVES: Okay. We can get it  
6 set up.

7 MR. STEPHENS: We -- we printed off --  
8 we printed off the slides in addition, so --

9 MR. BELMAN: It would be a bit clumsy,  
10 because I'll be there, and the computer will be  
11 somewhere down here, probably.

12 MR. STEPHENS: Okay. What --

13 MR. BELMAN: And so why don't we see  
14 how well we do with it, since we've got all the  
15 slides --

16 MR. STEPHENS: Okay.

17 MR. BELMAN: -- printed out. That will  
18 save the panel the trouble of squinting at the  
19 screen. Oh, okay.

20 ARBITRATOR DUFEK: And, Dr. Belman, I  
21 may admit that that's getting more difficult with  
22 the passage of each year.

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1 MR. BELMAN: I just update my glasses,  
2 so it's not so bad, but since I'm usually the one  
3 doing the showing, I don't notice.

4 ARBITRATOR OLDHAM: Before you sit  
5 down, sir, we're going to need to swear you in as  
6 a witness. You can stay where you are.

7 MR. BELMAN: Okay.

8 ARBITRATOR OLDHAM: Just listen to the  
9 reporter in the corner.

10 WHEREUPON,

11 DALE BELMAN, PH.D.  
12 called as a witness, and having been first duly  
13 sworn, was examined and testified as follows:

14 THE WITNESS: I do.

15 MS. GONSALVES: I think, Arlus, we're  
16 going to need to make more copies, because --

17 MR. STEPHENS: Okay. I apologize --

18 MS. GONSALVES: Can we go off the  
19 record for a moment?

20 ARBITRATOR OLDHAM: Off the record.

21 (Brief recess.)

22 ARBITRATOR OLDHAM: Okay. Folks, I

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1 think we're all back. Let's get going as soon as  
2 we can.

3 MR. STEPHENS: So, Teresa, do you want  
4 to raise your point?

5 MS. GONSALVES: I can. The ground  
6 rules require that the parties exchange exhibits  
7 by five o'clock a full day before the next day of  
8 the hearing. So, for example, the Postal Police  
9 Officers Association received the Postal  
10 Service's exhibits for tomorrow last night. I  
11 wrote down five o'clock.

12 And there's a reason for that, and the  
13 primary reason for that is so that people can  
14 prepare for cross-examination and have an idea  
15 about what witnesses are testifying about. The  
16 Postal Service, as a matter of practice, includes  
17 any and all PowerPoint presentations in its  
18 disclosures under the ground rules.

19 Due to a misunderstanding, Mr. Stephens  
20 did not include this PowerPoint presentation in  
21 his exhibits that he sent to us. We just  
22 received them at the time that they were

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1 distributed. And the reason why -- maybe with  
2 any run-of-the-mill case -- with any  
3 run-of-the-mill witness, it wouldn't necessarily  
4 be an issue, but this is -- my understanding is  
5 that this is the Postal Police's primary and only  
6 comparability expert witness.

7           And though we did receive loose  
8 exhibits from the Postal Police that, in part,  
9 are replicated here, although I don't think  
10 in full, I think there are some references in the  
11 PowerPoint that weren't included in the exhibits.  
12 We had no context for them. We didn't know how  
13 many witnesses would be. We did not know who  
14 would be testifying as to the witnesses, and,  
15 therefore, our efforts, our ability to prepare  
16 for cross-examination was compromised.

17           So what we suggested was that we go  
18 ahead and hear Dr. Belman's testimony today and  
19 that we either cross-examine a little or maybe  
20 not at all and reserve the right to bring Dr.  
21 Belman back at a later date to afford us the  
22 opportunity to prepare for cross-examination.



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1 MR. STEPHENS: So a couple points.  
2 First of all, we believe we did comply with the  
3 ground rules. We have submitted by five o'clock  
4 all of the documents underlying the testimony of  
5 our witness today, all of the information about  
6 which he is testifying. It was presented -- it  
7 was e-mailed to the panel and to the post office  
8 by five o'clock on Monday.

9 The PowerPoint we did not intend as an  
10 exhibit. The PowerPoint was actually not even  
11 completed until this morning, to be candid, and  
12 we did not intend for it to be marked as an  
13 exhibit or we didn't three-hole punch to put it  
14 in the binder. And we had no reason to believe  
15 that it was something that was supposed to be  
16 sent in advance.

17 We had -- the post office, of course,  
18 was supposed to go first in this case, and had it  
19 gone first and had it sent over all of these  
20 PowerPoints which it now says we will be getting,  
21 I guess that would have given us some notice that  
22 that was the post office's construction, that

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1 PowerPoint presentations, the visual, is an  
2 exhibit meant to be substantive evidence along  
3 with the testimony.

4 My understanding was that it was not  
5 substantive evidence, that the evidence was the  
6 testimony, and that the -- putting two and two  
7 together is what the witness does. The  
8 PowerPoint only helps illustrate it. So we  
9 respectfully disagree.

10 As for the identification of the  
11 witness, among the exhibits exchanged was the CV  
12 for our witness. It's Exhibit No. 72. So we  
13 believe we made a full disclosure of who our  
14 witness was going to be. There would be no  
15 reason to send a CV of someone who we didn't  
16 intend to have testify.

17 We -- if the post office believes it  
18 needs additional time for cross-examination, we  
19 expect this witness will be done with our  
20 presentation by lunchtime. We have at least  
21 until three o'clock or so today. So we're happy  
22 to take whatever -- however long a break is

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1 necessary.

2           We would object, however, to the need  
3 to bring the witness back, principally on cost  
4 grounds, that it's not inexpensive for this union  
5 to bring in live witnesses from out of town,  
6 especially witnesses like Dr. Belman, who charges  
7 a very reasonable hourly rate, but nevertheless,  
8 an hourly rate plus expenses. The plane ticket  
9 this time alone on short notice to DCA was over a  
10 thousand dollars. So that would be our -- our  
11 response.

12           And to the extent it was --  
13 expectations were not met, we do apologize.  
14 There was no intension to do anything that was  
15 out of --

16           ARBITRATOR OLDHAM: Well, so as not to  
17 extend this procedural issue, just let me say a  
18 few things and tell me if I'm wrong. But it  
19 seems to me from what you said, Teresa, that  
20 PowerPoints may be something of a gray zone with  
21 regard to whether they fit within the ground  
22 rules. I take it they are not specifically

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1 itemized in the ground rules. You said that this  
2 has been by practice understood to be within the  
3 ground rules, but Arlus does not seem to have  
4 been --

5 MR. STEPHENS: I think this is our  
6 first -- the post office has had practice with  
7 other unions. We, unfortunately, have not been  
8 privy to that.

9 ARBITRATOR OLDHAM: Yes. But I think  
10 what we'll do is, we're going to take a  
11 wait-and-see approach to this. As the day goes  
12 on, we'll see how it falls. We do -- as it  
13 happens, because we don't have a second live  
14 witness, we have more time with this witness than  
15 we had anticipated, and if we have a somewhat  
16 longer lunch hour than usual, this will give  
17 additional time for assessing the  
18 cross-examination. And let's just see if -- if  
19 it's adequate as the afternoon arrives. All  
20 right?

21 MS. GONSALVES: All right.

22 MR. STEPHENS: So our witness -- the

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1 exhibits to which Dr. Belman will be -- the  
2 underlying documents are beginning -- will be  
3 Union Exhibit 72 through Exhibit 87.

4 MS. GONSALVES: I -- I do have one  
5 thing I would just -- if I could have one minute  
6 to respond to what Mr. Stephens said, if you  
7 don't mind.

8 ARBITRATOR OLDHAM: Certainly.

9 MS. GONSALVES: I just wanted to say  
10 that in terms of the practice, although it's not  
11 exactly a pattern in terms of the practice, we  
12 did e-mail a copy of our slides for Curtis  
13 Whiteman, our finance expert, prior to -- at the  
14 time that we thought we were going to be  
15 presenting our first -- our witness first.

16 And, also, I just want to note that the  
17 Postal Service has been very accommodating to the  
18 Postal Police Officers Association, but this  
19 witness is a little bit different than the other  
20 witnesses we've heard from, because I believe --  
21 I haven't heard the testimony yet, but I believe  
22 he's going to be a very key witness in the Postal

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1 Police's presentation. And there are people who  
2 are not present in this room who -- who need to  
3 review this in order to have an adequate  
4 cross-examination. I hope that wasn't too much  
5 longer than a minute.

6 MR. STEPHENS: If I could have a real  
7 short --

8 ARBITRATOR OLDHAM: Sure.

9 MR. STEPHENS: The one document that  
10 was referenced, the one PowerPoint that was  
11 presented to us when the post office believed it  
12 was still going to be going first, there were no  
13 other underlying documents associated with that  
14 witness's testimony.

15 We understood there were -- there were  
16 assertions made in the PowerPoint that were not  
17 supported by evidence, and we just -- that's the  
18 difference here. We thought if we had the  
19 documents, that was what met the rules. So,  
20 again, no intention of anyone doing anything  
21 underhanded.

22 ARBITRATOR OLDHAM: Well, and we'll

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1 operate -- we'll go forward on the  
2 assumption that -- we'll take at face value what  
3 you said, that is, that the PowerPoint is going  
4 to correspond to the information that was  
5 submitted.

6 MR. STEPHENS: Correct.

7 ARBITRATOR OLDHAM: And let's see how  
8 it plays.

9 MR. STEPHENS: Dr. Belman is sworn?

10 ARBITRATOR OLDHAM: He is.

11 MR. STEPHENS: Okay. I'm going to in  
12 some is ways turn this over to Dr. Belman to  
13 testify on -- mostly on certain economic -- on  
14 economic matters and on some labor economics  
15 matters. We would call the panel's attention to  
16 his curriculum vitae, which is at Union Exhibit  
17 72.

18 DIRECT EXAMINATION BY COUNSEL FOR THE  
19 UNION

20 BY MR. STEPHENS

21 Q I'll -- I will ask Dr. Belman to -- if  
22 he can further give some context. And the first

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1 slide is regarding his qualifications.

2 A Well, thank you, and thank you for the  
3 panel to listen to my presentation.

4 In addition to having a doctorate in  
5 economics, having served as a faculty member in  
6 the economics department, now the school of human  
7 resources and labor relations since 1986,  
8 publishing extensively in the area of public  
9 private comparability, labor relations and  
10 collective bargaining, I have served as a witness  
11 in previous postal arbitrations as well as a  
12 number of other interest arbitrations.

13 So I began my work for -- in postal  
14 interest arbitrations in 1995 in the Arthur Stark  
15 arbitrator between USPS and the National  
16 Association of Letter Carriers. I was also a  
17 expert witness in the Fleischli arbitration  
18 between the Letter Carriers and the Postal  
19 Service. And after a long hiatus of testifying,  
20 but I actually -- well, I testified in 2012 in  
21 the National Rural Letter Carriers Association  
22 with Arbitrator Clarke. In most of these



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1 cases -- in some of these cases, I was doing  
2 work -- a lot of metric work with regression in  
3 some cases, and other -- more recently, I tended  
4 towards external comparables.

5 In addition to this, I have testified  
6 in a number of other interest arbitrations,  
7 teacher arbitrations in Wisconsin with the  
8 Wisconsin Education Association, basic steel wage  
9 reopener in the late '90s for the United Steel  
10 Workers. But probably more important to this  
11 arbitration, I have been an expert witness on  
12 outside comparables and internal comparability  
13 several times for the Milwaukee Police  
14 Association, for the Milwaukee Police Sergeants  
15 and Lieutenants Association, for the Toledo  
16 Police Association, and twice I have provided  
17 testimony but have not testified before the  
18 Detroit Police Officers Association. So I have  
19 some familiarity with public safety issues.

20 I will not bother you with going  
21 through my research stream or things like that,  
22 not that it's not fascinating. I, of course,

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1 will be happy to provide any articles that people  
2 would like to read.

3           The issues that I will be addressing in  
4 this presentation is, first of all, using O\*NET  
5 to set some benchmark standards distinguishing  
6 between police and security guards. Then I will  
7 move on to applying the comparability standard to  
8 Postal Police, and here, I will compare Postal  
9 Police Officer salaries to those of other postal  
10 crafts. They have declined, particularly since  
11 2008.

12           I will show how their salaries compare  
13 to salaries determined by the United States  
14 Department of Labor wage and hours administration  
15 under the Service Contract Act, so that's a  
16 direct private sector comparison. I will be  
17 comparing PPO salaries to other federal law  
18 enforcement personnel engaged in similar work,  
19 and they, again, are low.

20           And I will also provide some costing of  
21 the PPOA and USPS proposals, as well as showing  
22 the proportion of PPOA -- Postal Police Officer

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1 costs are relative to total collective bargaining  
2 labor costs in the Postal Service.

3 So that's quite a few topics, but,  
4 hopefully, I will be able to be succinct. It's  
5 not my style, but I will try.

6 MR. STEPHENS: So on the -- in this  
7 next -- calling the panel's attention and the  
8 post office's attention to -- Union Exhibit 73,  
9 74, 75 and 76 are all exhibits which will be  
10 underlying his testimony.

11 THE WITNESS: So the first of my  
12 testimony will be distinguishing the tasks and  
13 other characteristics of individuals and jobs,  
14 police patrol jobs and security guards. What I  
15 should make clear at the start of this is that I  
16 have not done a study of the work of police -- of  
17 Postal Police Officers. I have some anecdotal  
18 evidence through discussions. I have not yet  
19 read the transcripts because the transcript's not  
20 available from the first -- from the testimony on  
21 that.

22 So I do have a general knowledge of

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1 peace officer work coming from extensive work  
2 with police unions on their work, but I have not  
3 done a specific study of Postal Police.

4 MR. STEPHENS: And to be clear on this,  
5 the Union -- as -- as Dr. Belman said, the Union  
6 is not offering Dr. Belman as an expert to make  
7 the ultimate conclusion based on job study of  
8 Postal Police Officers. It's more -- as the  
9 panel will see, more to describe to the panel  
10 what the economic -- what the literature  
11 describes as the separation between security  
12 guards and Postal Police Officers and for the  
13 panel in some ways to draw their own conclusion.

14 THE WITNESS: What I will be doing in  
15 this section is using a very widely-accepted  
16 source of occupational information to distinguish  
17 between the tasks, knowledge, skills, abilities  
18 and other characteristics of police officers and  
19 security guards. And, hopefully, this will  
20 provide an objective basis for assessing the --  
21 or a possible objective basis for assessing where  
22 Postal Police Officers fit between those two

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1 occupations.

2           The data which I'll be using is O\*NET,  
3 which is the Occupational Information Network.  
4 This is the successor to the Dictionary of  
5 Occupational Titles. It is used -- it is  
6 developed by contract and subcontracting by the  
7 Employment & Training Administration of the U.S.  
8 Department of Labor. And O\*NET is a very  
9 extensive and very rich database or source of  
10 data on almost a thousand distinct occupations in  
11 the United States economy. It was originally  
12 developed by the U.S. Department of Labor by  
13 occupational analysts working -- working on these  
14 different groups of occupations.

15           Since that time, it's been updated  
16 through survey work, but I will go through it,  
17 and it very clearly lays out considerable amounts  
18 of information about the occupations that will  
19 turn out to be useful. Just to -- and by the  
20 way, all this information is available on the  
21 Internet. I happen to be using -- to capture  
22 that and put it in PowerPoints simply because the

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1 Internet is undependable at some times and  
2 particularly when one is testifying.

3           And I guess another very brief slide  
4 about O\*NET, O\*NET Resource Center, there's a  
5 content model which is within occupational  
6 information, and as we'll see, there are actually  
7 488 distinct measures of occupational  
8 characteristics, as well as what they call their  
9 taxonomy, which are related groups of occupations  
10 and something on data collection. So there's  
11 quite a bit of information available.

12           I should point out that O\*NET has been  
13 used regularly in postal interest arbitrations,  
14 typically by the Postal Service, in some  
15 statistical analysis used by Drs. Wachter and  
16 Hirsch to try to control for occupational  
17 characteristics. I, too, have used it. So it's  
18 already been used extensively, and in that sense  
19 is an accepted basis for occupational analysis by  
20 the parties.

21           As I say here, it's a very rich source  
22 of information on job characteristics. There are

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1 a total of 488 distinct measures. These  
2 include -- they're divided between the importance  
3 of particular tasks and other characteristics and  
4 their levels. Standard with occupational  
5 analysis, it does focus on knowledge, skills,  
6 abilities and working conditions. It's also  
7 viewed as an excellent place to start a job  
8 analysis by the human resources profession.

9 For example, if you look at the  
10 Milkovich text, Compensation, which is a standard  
11 graduate text on compensation, he recommends that  
12 firms take O\*NET, use it as a starting place to  
13 do job analysis. So it is widely accepted.

14 And this is perhaps the first case  
15 where it's far better to look at your handout  
16 than it is at the screen.

17 ARBITRATOR DUFEK: Not far better.

18 THE WITNESS: The screen is -- yeah,  
19 well, it gets worse later on. We may have a  
20 problem or two because the slide -- the Xeroxes  
21 are not always the best quality.

22 But, here, all I've done is I put the

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1 word "police" in, and you can see you get a  
2 cluster of occupations, starting with first-line  
3 supervisors of police and detectives, police fire  
4 and ambulance dispatchers, transit and railway  
5 police and police detectives. If you go through,  
6 the occupation I'm going to focus on are police  
7 patrol officers.

8           Now, I have to say that if you look at  
9 what it says about police patrol officers and  
10 police and sheriff's patrol officers, they're  
11 virtually identical. Okay. So you can look at  
12 either one, and you get very similar information.  
13 They have a bright occupational outlook, meaning  
14 they'll be, in a sense, substantially above  
15 average job growth.

16           Security guards also show up a bit  
17 further down. They also have a bright  
18 occupational outlook, so things are generally  
19 bright. But I've used police patrol officers.  
20 And if we go to the next slide, just to show you  
21 what's in O\*NET, there are -- there are different  
22 pieces of information. There's a summary report,



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1 which begins on --

2 MR. STEPHENS: And this is Union  
3 Exhibits 73 and 75.

4 THE WITNESS: Okay. I put the complete  
5 webpages into the exhibits. I have not put them  
6 into my PowerPoint presentation, because, really,  
7 what I'm trying to do here is simply provide a  
8 possible objective basis for assessing and  
9 distinguishing between the tasks, knowledge,  
10 skills and abilities of police patrol officers  
11 and those of security guards.

12 So, for example -- and as you look and  
13 see Union Exhibit 73, even the summary report  
14 goes on for one, two -- six pages. And I don't  
15 think I need to testify to that, but I do want to  
16 familiarize you with it. So, for example, under  
17 tasks -- and I won't go through all of them --  
18 provide for public safety by maintaining order,  
19 responding to emergencies, protecting people and  
20 property, enforcing motor vehicle and criminal  
21 laws and promoting good community relations,  
22 monitor, note, report, investigate suspicious

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1 persons, situations, safety hazards and so on.  
2 So this will lay out the different tasks that are  
3 expected of a police patrol officer. Render aid  
4 to accident victims and other persons requiring  
5 first aid for physical injuries.

6 In fact, in my work with police  
7 officers, that has been one thing they all  
8 mention is that, whereas, other people can walk  
9 away from the scene of the accident, they are  
10 required and can be disciplined if they fail to  
11 render first aid in accident -- in cases where  
12 people are injured.

13 And, in fact, the summary report will  
14 include tasks, tools and technology, knowledge,  
15 skills and abilities, work activities, work  
16 context, job zone, which is a very broad summary,  
17 required education, work styles and work values,  
18 because many times this is used by vocational  
19 counselors. And work styles, work values, you  
20 want to align people's interest with the work  
21 they do. So it's a very complete set of  
22 information.

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1           If we look at security guards, for  
2     example, their first task will be to monitor and  
3     authorize entrance and departure of employees,  
4     visitors and other persons to guard against theft  
5     and maintain security of premises. Call police  
6     and fire departments in cases of emergencies,  
7     such as fire or presence of unauthorized persons,  
8     answer alarm and investigate disturbances and so  
9     on. So, again, this lays out core, shared tasks  
10    of security guards.

11           We could actually -- we can compare  
12    these -- and I've created a sheet that just  
13    compares the tasks from the summary measures that  
14    contrast this. So, for example -- and let me  
15    just -- the fourth task down for police patrol  
16    officer would be to identify, pursue and arrest  
17    suspects and perpetrators of criminal acts. The  
18    third task down for a security guard would be to  
19    call police or fire departments in cases of  
20    emergency, such as fire or presence of  
21    unauthorized people, persons.

22           So that is an important distinction.

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1 Police officers arrest people. Security guards,  
2 according to O\*NET, call the police to arrest  
3 them. But if you go through here, you'll find  
4 that there are substantial differences. For  
5 example, police officers are required to render  
6 first aid. This does not indicate that security  
7 guards are required to do that.

8 Moving on, there -- there are detailed  
9 reports. Now, these detailed reports -- and  
10 that's Union Exhibit 74 for police officers and  
11 for security guards?

12 BY MR. STEPHENS

13 Q Seventy-six is security guards.

14 A Okay. The -- one of the important  
15 distinctions here and what makes O\*NET so useful  
16 is that it not only lists tasks and the knowledge  
17 needed, but it rates the importance and the level  
18 of the knowledge required. So, for example, if  
19 we take a look at -- and I haven't looked at  
20 tasks. I'm not going to go through every point  
21 of this. I'm sure you're all grateful for that.  
22 I'm simply, in a sense, putting material into the

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1 record which the committee -- which the panel can  
2 refer to. So I have the full detailed report as  
3 an exhibit, but I'd like to show you a contrast.

4 For example, under tasks, we find that  
5 for a police patrol officer, the task it  
6 forecasts -- provide for public safety by  
7 maintaining order, responding to emergency,  
8 protecting people and property, enforcing motor  
9 vehicle and criminal laws, et cetera -- has an  
10 importance level of 90. There are 100 potential  
11 points. This one has an importance level of 90,  
12 so that says it's very important. You'll see a  
13 bit more later on on this.

14 Render first aid to accident victims,  
15 other persons requiring first aid for physical  
16 injuries has an importance level of 82. So it's  
17 still fairly important.

18 I'm going to focus just for  
19 illustration on distinctions between police and  
20 security guards in terms of knowledge. I could  
21 do this with each of these areas -- tasks,  
22 knowledge, skills, abilities, work styles and so

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1 on. I'm simply going to do this for illustrative  
2 reasons.

3 Okay. So, for example, if we turn the  
4 page, take a look at the very first knowledge.  
5 Public safety and security, knowledge of relevant  
6 equipment, police procedures, strategies to  
7 provide, promote effective local, state or  
8 national security operations for the protection  
9 of people, data, property and institutions has an  
10 importance level of 91.

11 I'll skip down to English language.  
12 Knowledge of the structure and content of the  
13 English language, including the meaning and  
14 spelling of words, rules of composition and  
15 grammar, that has a importance level of 82.

16 We then flip the page to look at  
17 security guards. A security guard's knowledge of  
18 public safety and security is 57 compared to a 91  
19 rating for police patrol officers. And while the  
20 rating for police patrol officers for English  
21 language was 82, you drop down one, two, three,  
22 four to the fourth knowledge area, English

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1 language for security guards is 27. It's not  
2 very important for security guards.

3           You can go through the rest and make  
4 comparisons. In general, knowledge for security  
5 guards is quite low relative to police officers,  
6 but there are very important distinctions. And  
7 what I would suggest is that, one, police patrol  
8 officers and security guards are very different  
9 occupations. At least that's what O\*NET  
10 suggests. O\*NET is really designed to provide,  
11 among other things, a factual basis for the  
12 evaluation of occupations. It is probably the  
13 best developed of these instruments available to  
14 the panel.

15           And so, for example, I would suggest  
16 that the criteria provided in it are much more on  
17 point, much easier to use than, for example, the  
18 criteria developed as part of the National  
19 Compensation Survey. In part, NCS has relied  
20 from the federal white collar survey and over  
21 emphasizes white collar tasks to the expense of  
22 other tasks. That's not just my opinion. That's

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1 the opinion of a number of academics who have  
2 taken a look at that.

3 So what I would say is -- well, I was  
4 going to start saying, I don't do an evaluation  
5 here of Postal Police Officers, but I think that  
6 the O\*NET provides a very strong basis for doing  
7 a factual evaluation and clear objective criteria  
8 to do that evaluation.

9 MR. STEPHENS: Now, the next subject  
10 area that Dr. Belman is going to testify to --  
11 the principal exhibits here are Union Exhibit 77,  
12 which is a graph -- two graphs detailing an  
13 analysis of Postal Police and salaries received  
14 by certain classifications of the National  
15 Association of Letter Carriers and the American  
16 Postal Workers Union. So that's exhibits --  
17 two-page exhibits, No. 77.

18 BY MR. STEPHENS

19 Q Dr. Belman, you -- it was earlier in  
20 the presentation on Arbitrator Fleischli. Were  
21 you, in fact, involved in that arbitration?

22 A Yes. I presented testimony.



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1           Q     And what -- on the comparability, can  
2     you testify briefly about the role of  
3     comparability in the post office in your  
4     experience?

5           A     I -- I'd have to range a little bit  
6     beyond the arbitration, but it's very clear that  
7     internal comparability has been an extreme -- an  
8     important standard. In fact, in the most recent  
9     interest arbitration I was involved in, the  
10    settlement of the APWU played a central role in  
11    the Union's decisions about a settlement for, you  
12    know, what -- what was going to be a reasonable  
13    settlement for the NRLCA. So there is -- have --  
14    have been very strong patterns within the postal  
15    unions.

16                   Now, what should be said is that the  
17    PPOA, in '94, agreed to a wage formula that was  
18    at variance with the pattern that existed for all  
19    the other unions. Back in the 1980s, Clark Kerr,  
20    who arbitrated -- I believe that was when all of  
21    the large unions were still bargaining together,  
22    APWU and the NALC -- suggested a wage formula of

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1 the employment cost index minus one. The postal  
2 unions have -- were very reluctant to accept  
3 that, the big unions, and have never accepted it.

4 The PPOA did -- did accept that, I  
5 believe -- I've been told, in 1994, and they  
6 implemented ECI minus one. So they've actually  
7 been out of pattern using a very different way of  
8 determining wages, and I will be taking a look at  
9 the consequences of that. They've been somewhat  
10 out of pattern. But patterns, I think that --  
11 you know, Arbitrator Dufek knows this all too  
12 well -- play a very important role, at least in  
13 terms of determining wage increases. And that's  
14 not unusual in public sector bargaining.

15 Q Turn to exhibit -- Union Exhibit 77.

16 A Okay. This is the -- and I have the  
17 good fortune of providing a bit of color, which  
18 is good, because, otherwise, you'd never tell the  
19 difference between the two groups. But this  
20 is -- what I've done here with the -- is  
21 comparing PPOA and NALC base salaries. Now, the  
22 base salaries are the annual salaries inclusive

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1 of COLA, and I've gone a back to May 1994 in the  
2 Exhibit U-77 and up through June 2011 in this.

3 And this graph, where the red line --  
4 which you can't see in your Xerox, if you would,  
5 this upper line depicts the Postal Police Officer  
6 Association base salary and Carrier 1. So we are  
7 not putting in the carrier technicians who have  
8 multiple routes. We are only using the Carrier 1  
9 in here.

10 I think what you can see from this  
11 graph, very quickly, is that, historically, and  
12 really up until the mid-to-late 2000s, Postal  
13 Police Officers earned more than Carrier 1s.  
14 And, in fact, if you take a look at Exhibit 77,  
15 what you will find is that --

16 ARBITRATOR DUFEK: Dr. Belman -- yeah,  
17 you lost it just for a second.

18 THE WITNESS: I've lost it. Let us  
19 see. I see what's happened. Okay. It should  
20 come up in -- it seems much happier.

21 MS. GONSALVES: It's not happy up  
22 there.

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1 THE WITNESS: Well, let's try -- let's  
2 see.

3 MR. STEPHENS: Here it comes.

4 THE WITNESS: If multiple -- I think I  
5 know what to do.

6 ARBITRATOR OLDHAM: So we can just  
7 observe that, Teresa, in the transcript, you can  
8 quote the doctor as saying, I've lost it.

9 THE WITNESS: Very good. This is a  
10 case where I need to work back to get -- no doubt  
11 many of my students would agree with you.

12 So what we can see from --

13 ARBITRATOR OLDHAM: Dr. Belman --

14 THE WITNESS: I can bring the  
15 PowerPoint up as a PowerPoint.

16 ARBITRATOR OLDHAM: Just to be sure,  
17 I'm a little bit color blind even from here, but  
18 the -- at the very end of your ascending lines,  
19 the one on top is the Letter Carriers?

20 THE WITNESS: Yes. The blue -- okay.

21 ARBITRATOR OLDHAM: I --

22 THE WITNESS: Let me take a moment to

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1 get the display up again properly, because right  
2 now, it isn't, and that's -- I see what's going  
3 on. Let's shrink this a little bit. There.  
4 There. That's --

5 MR. STEPHENS: That's APWU.

6 THE WITNESS: We can go back up. All  
7 right. So what we can see here is this upper  
8 line are the Postal Police Officers, and the  
9 red -- you know, the red line. So this upper  
10 line are Postal Police Officers, and from  
11 May 1994 through about mid-2008, November 2008,  
12 Postal Police Officers typically were paid more  
13 than Carrier 1s. That changed around  
14 November 2008, where the carriers substantially  
15 increased their pay while the Postal Police  
16 Officers' pay fell behind.

17 And this graph is based off of actual  
18 dollar values. We've, of course, got the amounts  
19 on the left-hand side on the vertical axis and  
20 time on the horizontal axis for that. Now, if we  
21 take a look at Exhibit 77 -- and the graph is  
22 largely a reproduction of the dollar values in

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1 Exhibit 77. So if you look at the right-hand  
2 side, I have the percentages.

3 And what we can see here is that, for  
4 example, in May 1994, a Postal Police Officer  
5 earned 102.3 percent of the pay of a carrier --  
6 by the way, I am using the top step of the -- and  
7 I should have mentioned this to start with. This  
8 is the top step of the Carrier 1 pay schedule,  
9 and I used that because it's a fixed point. It's  
10 not sensitive to different rates of step increase  
11 and so on.

12 It's also the most populous category.  
13 The largest number of carriers are there. But  
14 it's insensitive to things such as people moving  
15 through the system. So it's a very standard  
16 thing. This -- very typically, in interest  
17 arbitrations -- and again, I'm taking coals to  
18 Newcastle -- to simply use a fixed point like  
19 that in a schedule.

20 But as we take a look at this, what  
21 we'll see is that throughout most of the period,  
22 we're at 104. We get up to 108, 107 percent.

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1 But then, in November of 1999, Postal Police  
2 Officers fall back to 102.8 percent and really  
3 are -- are in the 101 to 103 percent ratio. What  
4 happened in November 1999 was the Fleischli  
5 decision awarded a grade increase to the  
6 carriers. So it changed the relativities between  
7 carriers and Postal Police Officers. Postal  
8 Police Officers fell from running, let's say,  
9 around 104, 105 percent down to the 101 to maybe  
10 102, possibly lower 103 percent. So that grade  
11 increase had a large effect on the relative pay.

12 Now, what's happened, if we go toward  
13 the end of this, if you look from 2008 on -- all  
14 right -- with the coming of the Great Recession,  
15 the employment cost index slowed down  
16 considerably. And Postal Police Officer pay has,  
17 since 1994, with some exceptions, been driven by  
18 a formula of employment cost index minus one.  
19 And as I was saying, the Postal Police are the  
20 only of the postal units that bought off on the  
21 Clark Kerr suggestion. None of the others have  
22 done it, and if I were to say, up until the late

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1 2000s, performed reasonably well, but since then,  
2 because of a very large slow-down in the increase  
3 in employee costs in the private sector, post --  
4 the pay of Postal Police Officers has fallen  
5 considerably behind the pay of the letter carrier  
6 craft.

7           So as I said, during the 2000s, it was  
8 tending to fluctuate in the 101 to 103 range.  
9 Once we hit March 2008 -- and with one  
10 exception -- it's below 100 percent, and by the  
11 end of -- by July 2011, it's at 96.9 percent. So  
12 there's been a substantial decline in the  
13 relative pay of Postal Police Officers because of  
14 the slow growth of the ECI compared to -- but the  
15 combination, the other units get base pay  
16 increases plus a cost of living adjustment.

17           So all those have come together since  
18 2008 to reduce Postal Police Officer pay relative  
19 to letter carriers. And that shows up in the  
20 graph, that 2008 change, Postal Police Officers,  
21 letter carriers.

22           If we go to the next slide, I've chosen



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1 to compare Postal Police Officers here to APWU  
2 Grade 6. Now --

3 BY MR. STEPHENS

4 Q This is the second page of Exhibit 77.

5 A In point of fact, we can take a look --  
6 yeah. And it's the chart on the second page,  
7 plus this slide.

8 Now, I chose the Grade 6 clerk because  
9 it is the most populous of the grades for the  
10 APWU. There are also Grade 7 clerks and Grade 8  
11 clerks at somewhat higher pay levels. They all  
12 move very closely in tandem, so it seemed  
13 appropriate to choose the most populous group,  
14 rather than ones that were -- you know, any other  
15 one. I would get about the same results.

16 Again -- and here I've made a horrible  
17 color mistake. Now the PPO are blue and APWU are  
18 red. So I don't know if I'm permitted to correct  
19 that before -- if we distribute this, but I  
20 should. My students would be mocking me at this  
21 very moment. But, again, salary on the  
22 right-hand side, time. Now, this only starts in

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1 19- -- May 1998. This information was provided  
2 to me by Jim Bjork. Prior information was  
3 provided to me by the -- the NALC information  
4 comes directly from the NALC research department.

5 But in this case, we can see that  
6 with -- you know, there are some moments in  
7 bargaining when the contracts and increases are  
8 out of sync. But PPO wages are consistently  
9 above, although slowly falling to the level of  
10 APWU wages, until, again, mid-to-late 2008, at  
11 which point, they start falling below the APWU  
12 wage or just even with it.

13 So, historically, Postal Police  
14 Officers have been paid above and sometimes  
15 substantially above APWU Clerk 6s, but now,  
16 because of the pay formula that they're under and  
17 the slow growth of the ECI, they have been  
18 disadvantaged relative to other units. In fact,  
19 again, if you take a look at the chart,  
20 right-hand side, we have the data of the ratio of  
21 PPOs as a percentage and APWU 6.

22 If we look prior to -- you know,

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1 actually, for most of the chart, they're running  
2 between 105 percent and 102 percent, although it  
3 tends to drop over time. The ECI minus one  
4 formula has not performed as well as a  
5 combination of bargaining and COLA clauses for  
6 the larger unions.

7           But, again, as we get towards the end  
8 of this series, you can see that starting, say,  
9 August 2008, PPOs are earning just about the same  
10 as Clerk 6s, 100 percent, 101 percent, somewhere  
11 in that range. And so that suggests that the ECI  
12 minus one formula has not worked as well as the  
13 combination of traditional bargaining and COLA  
14 clauses for Postal Police Officers. They're  
15 simply less well off relative to the other postal  
16 crafts. So that's the past.

17           The ECI minus one formula has -- in  
18 part because NALC received a grade increase from  
19 Fleischli and -- in 1999, which changes those  
20 relativities and was based on a change in the  
21 work of letter carriers. That substantially --  
22 that has reduced the relative pay, but, also, the

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1 ECI minus one formula has served to reduce  
2 relative pay.

3 I should say that the clerks got a  
4 grade increase from Arbitrator Goldberg, although  
5 he didn't want to talk about having to do for the  
6 APWU what had been done for NALC. It's very  
7 common in interest arbitration that -- it's, in,  
8 fact extremely hard for one unit to get that type  
9 of increase, a grade increase, and for another  
10 unit not to. There's a case I'm familiar with  
11 because of my long years in Wisconsin in which an  
12 arbitrator boosted the police relative to  
13 firefighters in the mid-1980s, and the  
14 firefighters struck twice. And ever since that  
15 time, they have been -- arbitrators have  
16 originally locked the police and firefighters  
17 together as a way of avoiding that sort of  
18 interunit conflict.

19 So that's the past. What about the  
20 future?

21 Q This is Union Exhibit 78.

22 A And the future has really two

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1 components to it. The PPOA -- and I'm going to  
2 compare the PPOA and the USPS proposal. And so  
3 the PPOA proposal consists of a grade increase,  
4 which, from the point of view of an economist, is  
5 a 2.5 percent increase in annual salary across  
6 all steps and then the addition of a step for  
7 \$408.

8           Now, in my work, I'm going to be a  
9 little bit lazy, but I think it will help the  
10 panel. There are Postal Police Officers who are  
11 below the top step, but there are relatively few  
12 of them, and so I have simply treated this as if  
13 everyone was at the top step and everyone would  
14 get that step increase immediately. It has a  
15 relatively small financial effect and greatly  
16 reduces the calculations. It makes it very  
17 simple to do the calculations, which I think --  
18 so that -- in the interest of transparency, of  
19 course, I have never met a number I didn't like  
20 and I enjoy a complex formula, but I think it's  
21 probably better for us if we just ignore the  
22 modest effect of that.

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1           So there's -- in the first year of the  
2 contract, the 2011 -- sorry -- 2012, 2013,  
3 there's a grade increase and a step increase.  
4 Then there are three annual 3 percent increases  
5 in base salary, and in the last year of the  
6 contract, 2016, 2017, there is a 1 percent  
7 increase. And what I have done -- and that's a  
8 PPOA proposal.

9           If you take a look at the top panel,  
10 PPOA and USPS salary proposals, 2012, 2017, I  
11 have worked all of those in to the far left-hand  
12 column for the PPOA proposal. So in 20- -- we'll  
13 take 2011 as our base wage. In 2012, the wage  
14 would rise because of the grade and step  
15 increases to 55,587. The 3 percent increase  
16 would then boost that to 57,254; another  
17 3 percent, 58,972; a third 3 percent, 67,041; and  
18 a 1 percent will take that to 61,349.

19           All right. Now, however, PPOAs also  
20 propose that they get COLA increments identical  
21 to the formula used in the other contracts where  
22 the Postal Service has the cost of living

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1 adjustment clause. That requires both  
2 calculating the COLA amount and in those cases  
3 where they're, in the future, forecasting  
4 inflation and the COLA increase. So if we now go  
5 to the bottom panel, let me just walk you through  
6 that. Okay. In January 2012, which would be  
7 before the current -- it was the base for the  
8 pay -- the COLA increases. The Consumer Price  
9 Index was at 224.251.

10 Now, one of the nice things about  
11 interest arbitration is that because it takes so  
12 bloody long, I don't have to predict all the  
13 future path of the CPI. A lot of this is now  
14 history. And so if we go through, where you see  
15 the single crosses to the right of the date,  
16 these are actual values of the CPI. So for  
17 July 2012, it's 225.269, for July 2013, et  
18 cetera. Starting January 2014, because the CPI  
19 for January 2014 is not yet available and won't  
20 be until next month, I have had to forecast the  
21 value of the CPI.

22 Now, forecasting is not my business,

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1 and so, instead, I've used the consensus forecast  
2 produced by the Philadelphia Federal Reserve for  
3 2013 to 2017. They take the forecast of a number  
4 of prominent economic forecasters, DRI, other  
5 groups, and essentially average them. And so  
6 their consensus forecast -- and that's where we  
7 have the double cross, if you will -- is  
8 2.1 percent. So what I've done starting in  
9 January 2014 is increased the CPI by 2.1 percent  
10 for each year by 1.05 percent for each six  
11 months, because the COLA's paid in six-month  
12 increments.

13                   So, for example -- and now I've  
14 calculated the change in the COLA. That would  
15 be, for example, from January 2012 to July 2012.  
16 The point change would be 1.018. Okay. So  
17 that's the point change. That gets divided by a  
18 factor of .4, and so what we get is cents per  
19 hour. The hourly rate, because of the July  
20 increase in the CPI, would be 2.55 cents per  
21 hour.

22                   Calculated on a 2,080 hour work year,



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1 that would be \$53. However, because of the  
2 timing of the contract, Postal Police Officers  
3 would only receive half of that. It's actually a  
4 little more than half because there's an extra  
5 week in there, but, again, I'm being lazy,  
6 frankly, and it has a very small dollar effect.  
7 But they get half of that increase. In point of  
8 fact, we have this as an ongoing issue.

9           If you go on down this far column,  
10 which is simply the cumulative effect weighted  
11 for time worked, that 229, because COLAs are  
12 cumulative, you not only get the current COLA  
13 increases. Of course, your wage has been pushed  
14 up by prior COLA increases.

15           That 229 includes half of the increase  
16 that they receive in July 2012, so they actually  
17 get the full July increase at that point. They  
18 get the full \$118 and then half of that \$117,  
19 because that goes into effect in July, and their  
20 contract here, they get their -- the contract  
21 here ends in April. So in aligning this with  
22 contract years, there are a few complications.

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1 I have, at the end, if you take a look  
2 at this, my forecast -- and it's largely a, if  
3 you will, artifact of the Philadelphia Federal  
4 Reserve -- is that over the five-year period, the  
5 cost of living adjustment would raise PPO  
6 salaries by \$994 annually, almost a thousand  
7 dollars. So that's right at the bottom lower  
8 right-hand corner. And that would be due to the  
9 CPI.

10 Now, if we return to the upper panel --  
11 and I just wanted to make the COLA -- how I've  
12 calculated the COLA as clear as possible. I'm  
13 not sure I've succeeded, but -- if we take a look  
14 at the upper panel again, I have -- gave you the  
15 wages, the base salary that would come out of the  
16 PPO proposal, but the column immediately to the  
17 right, which is labeled "Plus COLA," is exactly  
18 that. It is the --

19 ARBITRATOR OLDHAM: Hang on. I'm --  
20 I've -- I'm --

21 THE WITNESS: Okay.

22 ARBITRATOR OLDHAM: -- out of sync with

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1 you.

2 THE WITNESS: All right. So what we  
3 have here are the COLA increases associated with  
4 the bargaining cycle. So for the 2013, 2014  
5 bargaining cycle, the total cumulative increase  
6 would be \$229 annually. 2014, 2015,  
7 \$476 annually. 2015, 2016, \$732 annually. 2016,  
8 2017, the cost of living adjustment would add  
9 \$994 annually on a cumulative basis, almost a  
10 thousand dollars.

11 What I've now done over here is --  
12 on -- in this column, I simply have the increases  
13 in the base that are specified in the contract.  
14 It does not include the COLA. In this column,  
15 I've added in these COLA increases to come up  
16 with the total annual -- the predicted total  
17 annual salary. So, for example, because of the  
18 COLA increase in 2012, we would end up in the  
19 2012, 2013 contract with a total wage of \$55,613,  
20 and the next contract year, 57,483 and so on.

21 And so, by the end, while the specified  
22 base salary would be 61,349, with that cost of

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1 living adjustment, we'd be almost a thousand  
2 dollars higher, 62,343. So that is my, as you  
3 will, forecast of what the PPOA proposal would do  
4 in the way of wages.

5 If you look at the upper panel to the  
6 right, I have in turn taken the USPS proposal and  
7 essentially done the same thing. The USPS  
8 proposal is for a freeze in the first two years  
9 of the contract. So, in 2012, it would be  
10 53,833. In 2013, it would be 53,833. But in  
11 2014, there would be a 1 percent increase,  
12 raising the base to 54,371, 2015, 1.5 percent,  
13 55,187, and 2016, 55,739, another 1 percent.

14 And then I've added in the appropriate  
15 COLAs. There are no COLA increases in the first  
16 two years. There would be a deferred COLA that  
17 looks a lot like a bonus payment the way I've  
18 calculated things. But starting in 2013 -- what  
19 I've labeled here 2014, I start directly adding  
20 in, say, the COLA increase of \$476. So, by the  
21 end, the 2016, 2017 year, post -- PPOA -- or PPO  
22 wages under the USPS proposals would be 56,733.

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1                   Now, again, I've probably simplified by  
2     treating the postal proposal as lasting five  
3     years rather than 4.5 simply to align it with the  
4     PPOA.

5     BY MR. STEPHENS

6                   Q     And this also factors in the assumption  
7     of COLA?

8                   A     Yes. Oh, yes. The Postal Service  
9     would seem to indicate that it will provide  
10    COLA-like increases to the Postal Police  
11    Officers, but haven't committed to any particular  
12    increase. I've simply assumed that they will  
13    provide the same increases as specified for the  
14    other collective bargaining units. So it's a --  
15    you know, is it a given that we don't have  
16    anything more specific? I've used this, and I've  
17    assumed that they would treat things that way.

18                          So that -- if we go on to our next  
19    slide -- and these become -- they're somewhat  
20    harder to read because the -- of the color or  
21    lack of color in the -- your Xerox. What I've  
22    done here is I've repeated this exercise for -- I

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1 not only simply reproduced the PPOA proposal plus  
2 COLA and the USPS proposal plus COLA; I've taken  
3 NALC plus COLA and placed it in this chart to  
4 contrast the two.

5 And one thing we'll find here is  
6 that -- and by the way, the NALC for these two  
7 is -- are actual wages since those have already  
8 been determined. The, of course, PPO are  
9 prospective, and I've made appropriate COLA  
10 adjustments that follow my prior -- follow my  
11 other COLA adjustments.

12 MR. STEPHENS: Just -- just to be clear  
13 --

14 MS. GONSALVES: Mr. -- yeah.

15 MR. STEPHENS: -- this is -- this is  
16 Union Exhibit 77.

17 MS. GONSALVES: That's not the one I  
18 have.

19 MR. STEPHENS: It's at the bottom of --  
20 the bottom of the page is the August -- this  
21 graph is just taking that and putting it on a  
22 single page.

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1 MS. GONSALVES: That one's just the  
2 2011, right? The -- the slide starts at 2011.

3 MR. STEPHENS: Which is the --

4 THE WITNESS: Yes.

5 MR. STEPHENS: Just above --

6 THE WITNESS: Yeah.

7 MR. STEPHENS: It's the last line --

8 THE WITNESS: The slide starts --

9 MR. STEPHENS: -- the historical  
10 analysis.

11 THE WITNESS: This is the current  
12 annual salary. These are the prospective annual  
13 salaries under the different proposals.

14 All right. So what I've done here,  
15 taking these, is formed the ratio of the PPOA to  
16 the letter carrier, and it's, again, top step,  
17 Carrier 1 for NALC. Currently, in 2011, PPOAs  
18 earn 98.4 percent of letter carriers. That's an  
19 error on my part in both cases because this is  
20 the current wage. So these should both be at  
21 98.4 percent.

22 2012 -- I see what happened. Let me

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1 just take a quick look.

2 BY MR. STEPHENS

3 Q Dale, if I can call your attention back  
4 to Union Exhibit 77 --

5 A Yes.

6 Q -- in the June 2011 --

7 A Okay. Okay. Makes sense. This should  
8 be -- so we have my error, and that should be  
9 96.5 percent. So these should both be  
10 96.5 percent. And I apologize for my error on  
11 that. So, currently, PPOAs earn 96.5 percent of  
12 what a Letter Carrier 1 earns at the top step.

13 In 2012, under the PPOA proposal, that  
14 would rise to 98.4 percent. It's still less than  
15 100 percent. It's still less -- remember, we  
16 could say, depending that, historically, before  
17 the grade increase received by the letter  
18 carriers, Postal Police Officers were in the 103  
19 to 105 percent. After that, they're in the 101  
20 to 103 percent range.

21 But what this says is that as we move  
22 forward in time, the Postal Police Officer



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1 Association proposal raises PPOs to 101.7 percent  
2 of letter carriers paid in 2013; 2014 to 103.9;  
3 2015, 103.0; and 2016, 103.8 percent. So it  
4 restores the relativities that existed prior to  
5 the grade increase, and it's slightly higher than  
6 they did after the 1990 great increase. But it's  
7 certainly -- the 96.4 percent in 2011 is well  
8 below the historic pattern.

9 In terms of the USPS proposal, the  
10 bottom line is, it basically is going to leave or  
11 worsen the position of the PPOs relative to  
12 letter carriers, so substantially worsen, leaves  
13 them 4 to 5 percent below the equivalent pay of  
14 the -- of letter carriers; whereas, the PPOA  
15 proposal largely simply restores Postal Police  
16 Officers.

17 I repeat this exercise with the APWU.  
18 These two columns are identical to the ones in  
19 the previous chart. Here, APWU plus COLA, that  
20 on goes through 2015, so I've cut it off there.  
21 In this case, we're starting off at around  
22 101 percent. 100, 101 percent is our base prior

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1 to this, and that's a steady decline because of  
2 the slow growth of ECI minus one.

3 With the increases proposed by PPOA, we  
4 would go to 104.7 percent in 2012; 2013, 103.4;  
5 2014, 105.4; 2015, 108.5 percent. So this  
6 restores earlier relativities. This goes a bit  
7 above the historic relativities. In contrast,  
8 the USPS proposal actually results in a further  
9 decline in the relative position of the PPOA  
10 relative to the APWU Clerk 6.

11 My final chart, I simply go through and  
12 look historically at the ratio of PPOA to NALC  
13 and PPOA to APWU 6 pay. As I've said before, in  
14 the earlier period, PPOA to NALC pay was actually  
15 104 to as high as 107, 108 percent. After the  
16 grade increase received by NALC, it declined to  
17 103 to 101 percent range. Now we're at 96.2.  
18 PPOA proposal, 2014, restores it to 104 percent,  
19 about the same in 2016.

20 PPOA to APWU, as we can see here, it's  
21 running in the 104 to 106 percent range. It  
22 declines to the 102 to 101 percent range. The

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1 proposal by PPOA initially, 2014, 105.6, and in  
2 2016, 108.9. So --

3 Q And, again, this is all from Union  
4 Exhibit 77.

5 ARBITRATOR OLDHAM: And just so that I  
6 understand, why is 2015 in parens at the end?

7 THE WITNESS: Because the APWU contract  
8 ends in 2015, and I would hate to speculate what  
9 the settlement would be in 2016.

10 All right. My conclusion from this is  
11 that the PPOA proposal does much to restore the  
12 pay of Postal Police Officers relative to the  
13 other bargaining units. And I should say, the  
14 other bargaining units, of course, their wages  
15 have been established according to the postal  
16 comparability standard of equality with the  
17 similar work in the private sector. So there's  
18 no reason, if we believe that those wages are  
19 appropriate, that the relativities of the police  
20 officers should have changed relative to those  
21 other units. So they should be at their historic  
22 levels.

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1           The -- you know, should they be better  
2     than their historic levels? That would be a  
3     matter of have their duties changed and so on.  
4     We do have one arbitration that shows, as duties  
5     change, arbitrators have been willing --  
6     Fleischli -- have been willing to put more money  
7     at grade levels, and, de facto, I would argue  
8     that Arbitrator Goldberg, despite any denials,  
9     essentially did exactly the same thing.

10    BY MR. STEPHENS

11           Q     So we're moving now to a different  
12    topic area, and this will be Union Exhibit 79, 80  
13    and 81 from the binder.

14           A     And here, I'm taking a look at what the  
15    wage levels established by the Service Contract  
16    Act for police officers. Service -- and again,  
17    I've simply reproduced several pages, webpages  
18    from the Wage and Hour Division about the Service  
19    Contract Act. It is, in essence, a prevailing  
20    wage law that requires that contract employees be  
21    paid the wage that -- hired by federal agencies  
22    be paid the same wage that they would be -- that

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1 a private contractor would pay for work that was  
2 in the private sector. So I've provided a page  
3 of overview about the Service Contract Act, and  
4 I've gone -- pulled out the SCA Directory of  
5 Occupations, Fifth Edition, simply so we can get  
6 a definition of police officers from that.

7           And in this case, what you'll find --  
8 and we'll focus on Police Officer I, which is at  
9 the bottom of this page and the start of the  
10 next. This officer carries out general and  
11 specific assignments from superior officers in  
12 accordance with established rules and procedures,  
13 maintains order, enforces law and ordinances,  
14 protects life and property in an assigned patrol  
15 district or beat, performing a combination of  
16 duties. The duties could include patrolling a  
17 specific area on foot or in vehicle, directing  
18 traffic, issuing traffic summons, investigating  
19 accidents, apprehending and arresting suspects,  
20 processing prisoners and protecting scenes of  
21 major crimes. The officer may participate with  
22 detectives or investigators in conducting

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1 surveillance operations. So that is the Service  
2 Contract Act occupation which I will be focusing  
3 on.

4 Obtaining wage determinations has  
5 become much easier than it used to be. I can  
6 simply go to the WageDeterminationsOnLine.gov,  
7 and I've actually recovered the service contract  
8 wage determinations for each of the cities in  
9 which the Service Contract Act -- in which there  
10 are Postal Police Officers. So I'm just going to  
11 skip through these next two slides rather than  
12 going into great depth about how one uses the  
13 website. It's fairly straightforward.

14 I've chosen -- by the way, I've chosen  
15 the reports that are not covered by collective  
16 bargaining and also have -- for previously  
17 existing occupations. So I don't think that's  
18 too much of a matter. But in this case -- and  
19 I've -- for illustrative purposes only, I've  
20 chosen the New York value. And so we have Police  
21 Officer I, Occupational Code 27131, and their  
22 hourly rate, because the Service Contract Act

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1 provides it, \$35.37.

2 I should acknowledge in advance, moving  
3 on through this exhibit, that there are  
4 requirements for -- that come with this. This is  
5 just the salary portion. For vacation, for  
6 holidays, the voluntary benefit amount is quite  
7 low under the Service Contract Act. It's \$3.81.  
8 And that applies across every occupation covered  
9 by the Service Contract Act. So be they a  
10 laborer, a janitor or a radiological technician,  
11 that's the amount in the size for voluntary  
12 benefits, but we're going to focus on the wage  
13 piece.

14 And so that takes us on to Union  
15 Exhibit 81. Of course, Postal Police Officers  
16 are scattered across a number of cities. The  
17 largest number are in New York. There are 145  
18 Postal Police Officers. There are quite a few in  
19 San Francisco, 32. There are a quite a few in  
20 Washington, D.C., 26. But there are also police  
21 officers in Atlanta and Memphis, a number of  
22 other locations, and so what I've done is created

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1 a weighted average for this. I have collected  
2 the wages, the Service Contract Act hourly wage  
3 in 2013 -- I simply collected those wages for  
4 each of these locations. I'm able to use the PPO  
5 numbers for each city to essentially create an  
6 appropriate weight.

7 So, for example, 31.59 -- call it  
8 31.6 percent -- of all PPOs work in New York  
9 City. So I created 31 -- .1359. Atlanta is  
10 .0305, 3.05 percent, so I create that weight. I  
11 multiply the hourly wage by the weight. I sum  
12 them all, and I get an average hourly wage across  
13 all of these different locations of \$29.45 per  
14 hour. If you calculate that on a 2,080-hour work  
15 year, that would be \$61,253.

16 The current PPO average annual salary  
17 in 2013 is 53,833. That's \$7,500 below the  
18 Service Contract Act amount. Under the PPOA  
19 proposed annual average salary, that would rise  
20 to 57,483, and that's in the neighborhood of  
21 \$3,700 below the amount currently required for a  
22 police patrol officer.



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1 ARBITRATOR OLDHAM: I have to stop you  
2 here for a moment, because Union Exhibit 81 stops  
3 short of your slide, and you were just quoting  
4 data that is not readable on my printed copy.

5 MR. STEPHENS: The data --

6 THE WITNESS: Oh, I see what's going  
7 on.

8 MR. STEPHENS: It's in Exhibit 77.

9 THE WITNESS: Oh, I see what's  
10 happening. So it stops right here, 61,000. What  
11 I've done down here is I've said, well, what is  
12 the PPO's current annual salary in 2013? That's  
13 \$53,833. Okay. That's, as I said, roughly  
14 \$7,500 less than would be required under the  
15 Service Contract Act.

16 Under the PPOA proposed average annual  
17 salary in 2013, PPOA salaries would be 57,483,  
18 which, as I said, remains below the level  
19 required by the Service Contract Act.

20 So using this, if you will, it would  
21 appear that Postal Police Officers are paid  
22 well -- substantially below, even under the PPOA

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1 proposal, under the amount that they would --  
2 that would be required of police officers hired  
3 through outside contractors. And, in fact, at  
4 the end of the contract in 2017, they would not  
5 be substantially above the amount in terms of  
6 annual salary of the amount currently required  
7 under the Service Contract Act.

8 Now, I should say that I know that the  
9 Postal Service does not believe that Postal  
10 Police Officers are indeed appropriately compared  
11 to police officers, but I will leave that to  
12 their experts to make that comparison.

13 MS. GONSALVES: I think he just did it,  
14 but I just want to note for the record the Postal  
15 Service's ongoing objection to any comparison  
16 between the Postal Police Officers and the  
17 federal sector, because 1003(c) is wholly  
18 inapplicable to Postal Police Officers.

19 MR. STEPHENS: And this is the -- not  
20 the objection to the Service Contract Act number,  
21 but to the --

22 MS. GONSALVES: The Service Contract

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1 Act is based on private, so, no, no objection as  
2 to that.

3 MR. STEPHENS: Okay. All right.

4 THE WITNESS: Okay.

5 MR. STEPHENS: And just -- in  
6 introducing Dr. Belman's testimony on this  
7 subject, we are again -- Dr. Belman has not done  
8 a -- an analysis of the actual tasks being  
9 performed by Postal Police Officers around the  
10 country. We're not offering him as an expert on  
11 that subject or asking him to testify about  
12 comparing actual job duties based on an analysis  
13 of the -- the federal agencies that we're going  
14 to be referencing here. It's more in terms of --  
15 because they go into quite a bit of variety, but  
16 it's more to give a -- a bit of -- of a  
17 evidentiary background of what different agencies  
18 are hiring in at based on publicly-available  
19 documents.

20 THE WITNESS: So I'll be looking at two  
21 pieces and comparing PPOs to federal police  
22 officers. And one is the grade rankings of

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1 individuals who are hired into federal agencies.  
2 And before going through this, I should make a  
3 point about a distinction between what lawyers  
4 are concerned with in terms of comparability and  
5 what labor economists are concerned with.

6           Lawyer -- you know, legally, it's  
7 going -- it is apparently important to  
8 distinguish between security guards and police  
9 officers. For an economist's point of view, what  
10 we're interested in are how occupations relate to  
11 each other. So I don't really -- if a federal  
12 agency regularly hires cooks in as police  
13 officers because they believe that their  
14 occupational qualifications make them  
15 appropriately trained to do that, I, as a labor  
16 economist, say, well, that's a little strange,  
17 but it's the market telling us what the  
18 comparable jobs are.

19           So to the degree, for example, what  
20 would a labor economist look at? We would  
21 actually look at patterns of movement between  
22 employers and occupations to try to determine

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1 what comparable is and what isn't comparable. So  
2 if we see movement of Postal Police Officers into  
3 other police officer positions in the federal  
4 government, from a labor economist's point of  
5 view, that would be useful information in  
6 establishing comparability, and it wouldn't  
7 matter whether they're legally considered Postal  
8 Police Officers, security guards or cooks. So  
9 it's a empirical relationship rather than a legal  
10 relationship from our point of view, but that  
11 still has to be established whether there is such  
12 a relationship.

13 And it should also be said that it  
14 doesn't take a lot of that type of movement,  
15 because economists are always concerned with  
16 marginal changes in terms of looking at wages and  
17 so on. It doesn't take a lot of that movement to  
18 really establish that there's reasonable  
19 comparability, although there's a certain low  
20 level at which it doesn't. Okay. But it is an  
21 empirical relationship, which we can argue -- no  
22 doubt can argue over.

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1 MS. GONSALVES: Sorry. Mr. Stephens,  
2 would you mind -- can we please take a  
3 five-minute comfort break?

4 ARBITRATOR OLDHAM: I think that would  
5 be wise.

6 (Brief recess.)

7 ARBITRATOR OLDHAM: All right. It  
8 looks like we're back. Carry on, Arlus.

9 MR. STEPHENS: Okay. So where we  
10 were -- had left, we're -- there's a couple of --  
11 in addition to the other testimony that the Union  
12 has introduced about other federal agencies and  
13 federal comparability, the Union introduces now  
14 Exhibits 82, 83, 84 and 85, which are all  
15 publicly-available job descriptions at different  
16 federal agencies announcing hiring of federal  
17 police officers with a description of duties.

18 And then that will lead us to the next  
19 two exhibits, which would be Exhibits 86 and 87,  
20 that Professor Belman will be --

21 THE WITNESS: So the two issues I'm  
22 going to look at is: Are Postal Police Officers

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1 the equivalent of Grade 6 or Grade 7 officers at  
2 other federal agencies? And to this end, I've  
3 put in several job postings, federal job  
4 postings, one from FEMA for a police officer, one  
5 from NIH and one from the Veterans  
6 Administration, also one from the Mint at the  
7 Treasury. The NIH one is actually the most  
8 interesting. I won't go through the others  
9 because they're similar.

10 NIH, they not only list Grade 6 and  
11 Grade 7 for what the qualifications are; they  
12 start out with Grade 5. So I'm going to read  
13 that simply to show how little is required in  
14 terms of qualifications for a Grade 5 and then go  
15 through the Grade 6s. Like I said, it's very  
16 similar to others.

17 But for Grade 5, you must demonstrate  
18 in your resume at least one year of qualified  
19 experience equivalent to at least the GS-4 level  
20 of the federal service. Examples of qualified  
21 experience include performing the following types  
22 of tasks under close supervision: Working as a

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1 security guard restricting access, verifying  
2 identification and general crime prevention,  
3 assisting a police officer on a police force,  
4 assisting in techniques and procedures for the  
5 collection and preservation of evidence,  
6 assisting in the development of crime scene  
7 analysis techniques.

8 So to come in at a GS-4 level, a police  
9 officer at NIH, you simply have to have either  
10 been a security guard doing fairly modest tasks,  
11 restricting access, verifying identification, or  
12 simply been assisting --

13 ARBITRATOR OLDHAM: You said --

14 THE WITNESS: -- a police officer.

15 ARBITRATOR OLDHAM: You said GS-4. I  
16 think you meant GS-5.

17 THE WITNESS: What I'm saying is --  
18 this is GS-5. Okay. Sorry. Yes, I meant GS-5.  
19 In contrast with the GS-6 level, you must  
20 demonstrate in your resume at least one year of  
21 qualified experience equivalent to at least the  
22 GS-05 level in the federal service. Examples of



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1 qualified experience include working as an  
2 officer on a police force, serving as a military  
3 police officer, performing criminal investigative  
4 duties for misdemeanors and felonies, performing  
5 law enforcement in parks, forests or other  
6 natural resource or recreational environments.  
7 So one year doing those sorts of tasks qualifies  
8 you at a GS-6 level according to NIH. The other  
9 agencies have very similar requirements, so I  
10 won't bother going through them, but they are  
11 there for the panel.

12 All right. What I've then done is  
13 taken the OPM LEO police annual pay for 2011,  
14 2013. And I have to be honest about this. What  
15 I did was I took a 2014 schedule and reduced it  
16 by 1 percent, since --

17 BY MR. STEPHENS

18 Q And this is Union Exhibit 86?

19 A Right -- to get the 2011, 2013 LEO pay  
20 schedule. My procedure, I have weighted it  
21 according to the distribution of Postal Police  
22 Officers using the same method I used for the

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1 Service Contract Act, so I will not repeat that.  
2 But I've done this both for Grade 6 and for Grade  
3 7. And, again, it's the top step of each of  
4 those grades, and that's where most of the Postal  
5 Police Officers are.

6 For weighted Grade 6, annual LEO salary  
7 is \$56,106 -- okay -- which is substantially  
8 above the current pay of Postal Police Officers.  
9 For Grade 7, \$60,838, which is actually closer to  
10 the top 2016 LEO proposal than it is to their  
11 current pay. So --

12 ARBITRATOR OLDHAM: Tell me where you  
13 are on the chart.

14 THE WITNESS: Okay. If we take a look  
15 down here, here's the weighted Grade 6 pay,  
16 56,016. Here is the weighted Grade 7 pay,  
17 60,838.

18 Another -- now, as it turns out, the  
19 OPM schedules often represent the minimum police  
20 pay in the federal service. Different agencies  
21 pay different amounts, and so I again have been  
22 provided with the 2014 base schedule for the

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1 Mint. And so the exhibit -- union -- let's  
2 see --

3 MR. STEPHENS: Union 12, I believe.

4 MS. MCKINNON: It's Union 12.

5 THE WITNESS: The Union 12 exhibit is  
6 the Mint pay schedule, but that's the base  
7 schedule. The next page -- and I should go  
8 through these -- which I obtained by myself off  
9 of the Mint website is the D.C. schedule. So  
10 rather than work my way through the same  
11 weighting --

12 MS. MCKINNON: That's the second page  
13 of Union 12.

14 MR. STEPHENS: Second page of Union 12.

15 THE WITNESS: Actually, I don't think  
16 it is the second page. Oh, yes, it is. I just  
17 got a better copy.

18 So, in this, I'm simply using the D.C.  
19 as rough and ready because it has locality pay in  
20 it, and I wasn't able to find Mint schedules for  
21 Philadelphia or other locations.

22 But in this case, we -- we do have an

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1 issue of where a Postal Police Officer would fit  
2 in this schedule. We really got -- we've got  
3 entry level. We've got entry level with  
4 training. We have senior patrol. And, clearly,  
5 officers with experience come in above entry  
6 level, so they may be entry level with training.

7           Traditional police departments are that  
8 there are increase -- you know, the only real  
9 position in a police force -- you know, you've  
10 got patrol officer, you've got sergeant, or they  
11 go off into detectives. This is slightly more  
12 complex. It says that we have this thing called  
13 a senior patrol officer. I haven't adopted that.  
14 Okay. I don't -- I don't really know what the  
15 distinction is, how much time, what sort of  
16 experience, what sort of qualifications you have  
17 for a senior patrol officer, but -- so I simply  
18 used entry level with training. It seems to be a  
19 conservative choice in this case.

20           And in that case, if you take a look at  
21 entry level with training, at step one, you'd be  
22 at 55,670, and at top step, 74,604. Okay. So

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1 that's quite a range in there. So I put this  
2 together in a chart, and, again, I'm comparing  
3 the proposals of PPOA, again, as a top step  
4 proposal from 2011 to 2016, the USPS proposal,  
5 again, based off the top step, including a COLA,  
6 LEO Grade 6, LEO Grade 7 and a range for Treasury  
7 with training. All right.

8 So let's actually just look at the year  
9 2014 rather than go through this in great depth,  
10 but the information is there. The PPOA top step  
11 proposal is 59,529. The USPS top step is 54,847.  
12 LEO Grade 6 top step is 56,673. So the PPOA  
13 proposal is above the Grade 6 top step LEO, but  
14 the USPS proposal is below it by about \$1,800.

15 Then -- in fact, it barely overtakes  
16 the LEO top step Grade 6 by 2016. The LEO Grade  
17 7 is 61,452. That's a bit above the 2014 level.  
18 And it's -- if we go out to 2016, the PPO would  
19 be above that -- the 61,452 by about \$1,200, but  
20 we expect the LEO schedule to rise.

21 If we look at the Treasury with  
22 training, so not the senior patrol, but an entry

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1 level with training, the range in 2014, including  
2 the 1 percent federal increase, would be from  
3 55,670 to 74,604. And the PPOA proposal would  
4 actually -- if we go back to the Mint D.C.  
5 schedule that level, you would have to be --  
6 you'd be at a Step 6 at -- in the Treasury Mint  
7 Police, and you would be -- Step 5 or Step 6  
8 would bring you roughly in line with where PPOA  
9 would be in 2016. Okay. So at Step 5 or 6,  
10 you'd be between 61,000 and 62,500 in 2014, and  
11 PPO doesn't hit those levels really until 2015  
12 and 2016.

13 So, in that case -- and that's not even  
14 top step. That's not even fully realizing PPOA  
15 seniority. So what this says is that after a few  
16 years, six or seven years at Treasury, the  
17 Treasury Mint Police are exceeding -- would be as  
18 well paid or -- and very shortly after that,  
19 better paid than PPOA members at top step.

20 What this suggests very clearly is that  
21 PPOA members are paid less and substantially less  
22 than their -- than individuals engaged in

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1 comparable duties --

2 MS. GONSALVES: I object to that  
3 statement since he's already testified that he's  
4 not doing a comparison. He's not familiar with,  
5 he has no basis to know, to do a comparison  
6 between the PPOs and the federal police.

7 MR. STEPHENS: I think the response is,  
8 we've introduced the -- as exhibits, job  
9 descriptions in -- as Union Exhibits 83 forward,  
10 and, again, it is an argument that the Union is  
11 making, ultimately, since there is a fundamental  
12 disagreement in the case between the post office  
13 and the Union as far as what it is that Postal  
14 Police Officers do, and that's a factual dispute  
15 that the panel would -- may render a decision on.  
16 The panel, I sort of thought, can decide whether  
17 we meet it or don't meet it.

18 ARBITRATOR OLDHAM: Thank you. We  
19 can --

20 MR. STEPHENS: So I think it's fair.

21 ARBITRATOR OLDHAM: So we don't need  
22 that conclusion by this witness.

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1 THE WITNESS: I can make another  
2 statement that I think is safer, which is that  
3 PPOA officers are paid less and substantially  
4 less than typically Grade 6 or Grade 7 or other  
5 police officers in the federal service.

6 ARBITRATOR DUFEK: Can you make that  
7 statement without only -- only on the basis of  
8 incorporating locality pay, which you weighted?

9 THE WITNESS: What?

10 ARBITRATOR DUFEK: You can't make that  
11 statement geographically across lines, can you?

12 THE WITNESS: Well, what I can say  
13 there is --

14 ARBITRATOR DUFEK: Let's be accurate as  
15 to what you -- what you did.

16 THE WITNESS: I am working with an  
17 average. So, under this, you would be  
18 underpaying officers in -- substantially  
19 underpaying officers in New York and  
20 substantially, perhaps -- I haven't looked --  
21 overpaying officers in Memphis. But the Postal  
22 Service has a long and glorious history, and so



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1 your police officer pattern adheres to your  
2 clerk, NALC and so on pattern. You also have  
3 that same --

4 ARBITRATOR DUFEK: And the federal  
5 government does not?

6 THE WITNESS: The federal government  
7 has locality pay, so that's why I've averaged  
8 it --

9 ARBITRATOR DUFEK: I understand.

10 THE WITNESS: -- except in the case of  
11 Treasury.

12 ARBITRATOR DUFEK: I understand. The  
13 point's made.

14 MR. STEPHENS: So why don't we take  
15 a -- if we could take a break. Teresa and I have  
16 discussed -- with the panel's indulgence -- about  
17 a five-minute break to talk before we get to the  
18 cost part of the presentation.

19 ARBITRATOR OLDHAM: I have no  
20 objection. That's fine.

21 (Brief recess.)

22 MR. STEPHENS: Teresa and I, Joe, Donna

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1 and I all spoke in the hallway, and as it turns  
2 out, there -- well, we thought we had produced  
3 all of the underlying evidentiary documents. We  
4 did not do so with the -- with respect to the  
5 costing. Those were not sent in advance, which  
6 they should have been, and I take sole  
7 responsibility for that.

8           So what we've agreed to is that Dr.  
9 Belman will go ahead and testify on his costing,  
10 that the post office will have the opportunity to  
11 cross-examine him today, and if they feel the  
12 need to bring him back for additional  
13 cross-examination, we'll -- we'll -- we'll  
14 facilitate that and make -- and we'll -- subject  
15 to -- we'll talk to Dr. Belman, and we'll  
16 schedule to make it work. But I wish to  
17 apologize for -- for the mistake. It's -- it's  
18 my mistake, and I'm sorry that it's interrupted  
19 the proceedings. So --

20           ARBITRATOR OLDHAM: Thank you, Arlus.  
21 I understand what you agreed to, and let's go  
22 forward.

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1           THE WITNESS: To move forward, it's, of  
2 course, useful to cost the two proposals and  
3 compare their costs. Just to summarize, because  
4 we're about to work with an awful lot of numbers,  
5 over the five years, salary costs, including  
6 costs of time paid not worked and overtime, will  
7 rise by 15.2 percent under the PPOA proposal.  
8 Call it 3.1 percent annually. Under the USPS  
9 proposal, costs will rise by 5.3 percent.  
10 Call it -- over five years, call it 1.1 percent  
11 annually.

12           PPOA proposal, of course, restores the  
13 position of PPOs relative -- largely restores  
14 them relative to other crafts and to federal  
15 police officers. Achieving that end will raise  
16 USPS costs by less than sixteen thousandths of  
17 1 percent of bargaining unit salary costs. And  
18 the difference in terms of the labor costs of the  
19 Postal Police and Postal Service proposals are  
20 four thousandths of 1 percent of their total  
21 labor costs. This is a very small unit, and as a  
22 result, it really doesn't have much effect on

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1 Postal Service costs.

2 Everything which I -- the base numbers  
3 that this is taken from -- and I'll go through my  
4 calculations -- are from national payroll hours  
5 summary report period, report pay period 20,  
6 fiscal year 2012. So this is the end of the  
7 fiscal year, and it's for the security officers  
8 in the bargaining unit. So this is a very  
9 detailed summary of Postal Service cost.

10 Now, I used the 2012 year because  
11 although that is the first year of the new  
12 collective bargaining agreement, that agreement  
13 isn't in effect. So it's been a good summary,  
14 the 2012 fiscal year, of the base cost, base  
15 salary and other costs from which this is  
16 computed. I should say that this is a static  
17 costing. It follows very closely the costing  
18 that we did for the rural letter carriers in  
19 terms of structure.

20 So 2012 base salary for time worked was  
21 \$20,994- -- 994,406. If -- with a base of --  
22 plus 2.5 percent grade increase, that would raise

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1 the base salary to 21,519,200 and -- \$519,266.

2 So it's the line immediately below.

3 ARBITRATOR OLDHAM: Sorry. I need to  
4 interrupt you for a moment. You're talking about  
5 base salary?

6 THE WITNESS: Right.

7 ARBITRATOR OLDHAM: Who is included in  
8 that figure?

9 THE WITNESS: The bargaining unit PPOs.

10 ARBITRATOR OLDHAM: Okay. Just the  
11 bargaining unit --

12 THE WITNESS: That is --

13 ARBITRATOR OLDHAM: -- PPOs?

14 THE WITNESS: -- correct. There is  
15 a -- there is also a summary page, but this is  
16 for the bargaining unit. So, to my knowledge,  
17 this is simply PPOs. It's not the Inspection  
18 Service. And I can provide you with the page  
19 number I worked from.

20 So as I said, the 2.5 grade increase  
21 adds slightly over half a million dollars to base  
22 salary. That would go up to \$21,519,266. With a

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1 step of \$480, this, in turn, would rise by  
2 another 187,272. The total would be 21,007 --  
3 \$21,706,538.

4 Then, first, 2012, 2013, there would be  
5 no further increase. We have a three, a three, a  
6 three, and then a 1 percent increase. Just  
7 looking at base pay -- all right -- that  
8 3 percent increase, first 3 percent increase,  
9 would take us from 21,706 -- or \$21,706,538 to  
10 \$22,336,370 and on through. So the increase in  
11 base pay without COLA would be, in 2017,  
12 \$23,805,979. And that's simply due to the grade  
13 and step increases and the percentage increases  
14 in base pay.

15 There is, roughly, in 2012 -- and yours  
16 is mislabeled in this slide -- it's labeled 2016,  
17 2017. It should be 2012. Okay. There is a  
18 48 percent roll-up factor for time paid not  
19 worked, the high roll-up factor, overtime and  
20 over payments. So, in 2012, our total labor cost  
21 was \$31,071,721.

22 I have to compliment the Postal Service

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1 on their excellent data. I switched over -- I  
2 teach a collective bargaining class in which I  
3 teach costing, and I switched over to using a  
4 postal -- the postal data for that, because it's  
5 so clear and -- so this makes this relatively  
6 easy.

7 Now, what I've done here is broken out  
8 by year the costs of each of the increases. So  
9 let me just go through first two years, show you  
10 how I'm costing this, how I get my total cost at  
11 the end and my further computations. So.

12 For example, as I've said, in the first  
13 year, we get a grade increase which is slightly  
14 over half a million dollars. We get a step  
15 increase that's 187,000-and-some-odd dollars.  
16 There is no increase in base salary, so that's  
17 zero. The COLA increase ends up costing a little  
18 over \$10,000. It's small and only affects base  
19 salary for half a year. The total increase to  
20 base salary in the first year, 2012, 2013, is  
21 \$722,158. We have a roll-up factor of .48, so we  
22 have to add to that \$346,636. The total increase

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1 in salary in the first year is \$1,068,794.

2 In the second year, there's no grade  
3 increase. There's no step increase. There is a  
4 3 percent increase in base salary, and because we  
5 don't compound in labor relations calculations,  
6 this 3 percent is calculated off of the 2012  
7 September base. So that's \$629,832. The COLA  
8 increase -- and I've shown you how I've  
9 calculated the COLA previously -- \$76,700, a  
10 total of 706,532. We again calculate in the  
11 roll-up, and the cost of year two -- the increase  
12 in cost associated with year two is \$1,045,667.

13 The -- because we're offering --  
14 operating off the same base, the only thing  
15 that's really changing for the next two years is  
16 the COLA amount, and in the last year, there's a  
17 1 percent increase. So that's 209,944. COLA is  
18 a little bigger. Total increase in labor costs  
19 in the last year is 457,386, but we're usually  
20 concerned with lift rather than any particular  
21 year's outcome.

22 Our total increase in base salary



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1 without allowing for the roll-up is about  
2 \$3.2 million, and that lift over the five years  
3 would be 15.2 percent. It averages -- call it  
4 3.1 percent annually. In terms of total salary,  
5 total cost will rise by \$4.7 million, again,  
6 15.2 percent, but \$4.7 million. And, again, our  
7 annualized lift is three point -- call it  
8 1 percent.

9 Now, I can go to -- you know, 3 percent  
10 is a substantial increase. \$4.7 million is -- I  
11 wouldn't mind getting that. But how does this  
12 compare to the Postal Service's total bargaining  
13 unit labor cost? And so I've taken balance line  
14 25, page B of the national payroll hours summary  
15 report, pay period 20, fiscal year 2012, and  
16 their 2012 annual labor cost was \$29,612,977,369.

17 The 2012 PP- -- PPOA labor cost was a  
18 little over 31 million as against 29 billion, or  
19 it comprised -- call it 1.1 --.11 percent of  
20 total postal bargaining unit labor costs. It's a  
21 small unit. It's roughly a tenth of percent, a  
22 little over that, eleven hundredths of a percent.

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1 If under the PPOA proposal, that 31 million would  
2 go up to 35 point -- call it \$8 million.

3 At that point -- and not allowing for  
4 increases in labor costs in any other units, so  
5 just using that 2012 base again -- PPOA costs  
6 would rise to .12 percent of total postal  
7 bargaining unit labor costs. The change in the  
8 percentage, the change in the percentage of -- if  
9 the Postal Police Officers' proposal was  
10 implemented would be sixteen thousandths of a  
11 percent of USPS bargaining unit labor costs.  
12 Very, very small numbers. Very, very small  
13 numbers relative to the costs of the Postal  
14 Service.

15 This is a small unit. It doesn't, you  
16 know -- the former director of my school, now  
17 vice president of human resources for Michigan  
18 State, would say that's decimal cost. That's the  
19 sort of thing that vanishes in calculations,  
20 but -- it's still money, but it's a very small  
21 amount relative to the bargaining unit costs.

22 Now, what happens under the USPS offer?

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1 I'm not going to go through this in the same  
2 detail. I don't think we need to. You've seen  
3 how I've done the calculations. I'm certainly  
4 happy to walk through them outside of this  
5 setting, because they're -- you know, it can be a  
6 little complex. But in this case, what we've got  
7 is -- and the way I've calculated this is I do  
8 provide COLA increases that are similar to what  
9 -- as I've done before, what the other bargaining  
10 units would get. I've been a little lazy. In  
11 point of fact, this COLA increase would not be --  
12 probably not -- it's a little unclear under the  
13 postal proposal, but we'll act as if they were  
14 going to pay it. These are all small amounts of  
15 money.

16 So the first two years, we only get a  
17 COLA increase. Third year, there's a 1 percent  
18 increase plus COLA. Second year, there is a  
19 1.5 percent plus COLA, and in the third year,  
20 there's a 1 percent plus COLA. All these  
21 percentages are, again, based on the 2012  
22 September base.

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1           So when we work through that, the total  
2   increase over the -- in this case, again, not 4.5  
3   years, but I've calculated this over five years  
4   of the contract -- would be \$1.1 million or a  
5   five point -- sorry -- 5.3 percent increase over  
6   a five-year contract. That would work out to  
7   about a 1.1 percent annual increase in salary.  
8   Again, 49 percent roll-up factor, the total  
9   increase in costs at the end of the contract  
10   would be \$1.6 million annually, again  
11   5.3 percent. Over the term of the contract,  
12   1.1 percent annually.

13           I've done my same calculations.  
14   Basically, if we take a look, the postal proposal  
15   would raise the proportion of labor costs  
16   associated with PPOA from point -- call it  
17   .11 percent to .12 percent. It would increase by  
18   roughly ten hundredths or one hundredth of a  
19   percent, a very small amount, basically leave  
20   PPOA costs fixed under this.

21           Now, one of the issues we may face --  
22   in either case, under either proposal -- and the

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1 difference between the two proposals in terms of  
2 total cost is extremely small. In terms of total  
3 postal bargaining unit costs, it's four  
4 thousandths of a percent. It's not four  
5 thousandths. It's four thousandths of a percent.  
6 It's a very small number, really. But 3 percent  
7 sounds big, especially coming out of the Great  
8 Recession, and we kind of sit there and go,  
9 3 percent, that's -- that just seems too high.  
10 You know, one percent seems low, 1.1, but 3.1  
11 percent seems high.

12           So in my last page, I've tried to  
13 collect some wage forecasts -- or I have  
14 collected some wage forecasts and some wage  
15 information about the sort of wage increases that  
16 have been realized in the private economy. And  
17 so we're looking at how does that 1.1 percent or  
18 that 3.1 percent compare with what's going out --  
19 on in the private economy. So I've gone to a  
20 couple of different places.

21           Society of Human Resource Management,  
22 which is the lead human resource -- national

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1 human resource organization in the United States,  
2 they're looking at salary increase budgets. It's  
3 based on a survey. And what they're saying is  
4 the salary increase budget for the companies that  
5 they surveyed was 2.7 percent in 2012,  
6 2.9 percent in 2013 and 2.9 percent in 2014. So  
7 that's how much these firms are looking at  
8 increasing. They're right up against 3 percent,  
9 not quite there, but they're right up there.

10 WorldatWork --

11 ARBITRATOR DUFEK: Dr. Belman, I'm  
12 sorry to interrupt you, but is 2.7 in 2012 and  
13 2.9 in 2013 actually data, or is that --

14 THE WITNESS: Yes. That --

15 ARBITRATOR DUFEK: -- a projection?

16 THE WITNESS: -- is actual data, in  
17 fact, slightly shocking. Both WorldatWork and  
18 SHRM said, well, here's what we predicted and  
19 here's what happened. In each case, they're off  
20 by about a tenth of a percent. So only the 2014  
21 is a prediction, but they seem to be hitting it  
22 pretty closely, given their survey.

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1           WorldatWork, salary increase budgets  
2   again -- again, 2.8 percent in 2012, 2.9 for  
3   2013, 3.1 percent for 2014. No one seems to want  
4   to predict much beyond 2014 with wages. They do  
5   it with prices. They do it with all sorts of  
6   stuff, but I haven't been able to find good wage  
7   forecast information out there.

8           What about the change in the ECI wages?  
9   Well, our ECI wages are -- you know, since we use  
10   the employment cost index, says, 2012, it was  
11   1.75. 2013, it was 1.8. And BLS is very clear  
12   they don't make predictions, so we don't have  
13   anything beyond that. That tends to be towards  
14   the lower end, but although this is wage and  
15   salary, these are costs. These aren't actual  
16   wages and salaries. There's a distinction there.

17           How about the Quarterly Census of  
18   Employment and Wages? This is another BLS  
19   series. It's generated through the unemployment  
20   system, and they collect payroll data through  
21   that. And here, we don't have data for 2013 yet.  
22   We should in about two months, but that will

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1 hopefully be too late for this panel. But for  
2 2011, annual earnings under QCEW increased at a  
3 2.9 percent rate and the same in 2012,  
4 2.9 percent rate, very close -- much closer to  
5 PPOA than USPS proposal.

6 Current Employment Statistics -- and  
7 these are weekly wages, and these are all private  
8 sector. I have not included the public sector in  
9 it. Current Employment Statistics, 2012, the  
10 increase was 2.4 percent in wages, 2013,  
11 1.8 percent.

12 The final source that I've used is the  
13 Wage Trend Indicator produced by the Bureau of  
14 National Affairs, and it provides -- it's a six  
15 to nine month look ahead. And what it says --  
16 what the WTI material indicates is that in  
17 2011 -- 2012 and 2013, private sector wages  
18 increase slightly below 2 percent, but the WTI is  
19 clearly trending upwards and that wages are going  
20 to rise by more than 2 percent in 2014. So  
21 that's kind of the waterfront as far as I'm able  
22 to collect.



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1           What is clear if you look through most  
2   of the information is we expect tightening labor  
3   markets, and employers expect to be paying higher  
4   wage increases in the future as the labor markets  
5   continue to tighten. And the forecasts are  
6   declining unemployment, higher levels of  
7   employment over the next several years and,  
8   therefore, higher rates of wage increase.

9           ARBITRATOR DUFEK: Does the QCEW annual  
10 earnings of 2.9 percent in 2011, 2012 include  
11 overtime worked?

12           THE WITNESS: Let's see. QCEW annual  
13 earnings. I am not -- I would have to say --  
14 although I've used that series, I'll have to say  
15 I'm not sure. But we can check that. When I saw  
16 the difference between QCEW and Current  
17 Employment Statistics, that looks like a larger  
18 gap, but that's not unprecedented in BLS data.  
19 There's a long running CPS versus QCEW data.

20           ARBITRATOR DUFEK: And then salary  
21 increase budgets for both SHRM and WorldatWork  
22 would obviously include their projected

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1 workloads?

2 THE WITNESS: Yes.

3 ARBITRATOR DUFEK: Which would  
4 include --

5 THE WITNESS: Those would potentially  
6 include overtime, I believe, but -- you know,  
7 again, I searched for a clear definition. It was  
8 a little hard to obtain.

9 So just to finish off, a conclusion,  
10 always a good thing. One, PPO officer salaries  
11 have fallen relative to other postal crafts. The  
12 PPO proposal largely restores that historic  
13 relationship. The USPS proposal does not.

14 PPO officers salaries are below those  
15 established for police officers under the Service  
16 Contract Act. They are paid less than other  
17 federal agencies' police patrol officers.

18 The PPOs' proposal will raise labor  
19 costs by about 3.1 percent annually over five  
20 years, and this isn't out of line with the  
21 prospective wage increases in the economy.  
22 Further, all this can be done with small to

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1 vanishingly small effects on the Postal Service  
2 budget.

3 ARBITRATOR OLDHAM: Thank you, Dr.  
4 Belman. And now we'll take a break, and we'll  
5 have some cross-examination, I assume,  
6 afterwards. And shall we have, what, an hour?  
7 What's your --

8 MS. GONSALVES: You have to leave at  
9 three o'clock, right?

10 ARBITRATOR OLDHAM: I have to leave at  
11 3:00, yes.

12 MR. STEPHENS: So, again, I'm -- as far  
13 as I'm concerned, however much cross you want to  
14 do today, and then subject to reserving  
15 additional cross, we've -- we have no objection  
16 to --

17 MS. GONSALVES: An hour is fine. I did  
18 want to make a request for information, and I can  
19 put it into writing if you prefer, but I don't  
20 know if there's a need for that, since it will be  
21 in the transcript.

22 I wanted to request all electronic

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1 worksheets that were used in Dr. Belman's costing  
2 analysis, and I also want to request copies of  
3 the surveys that were relied upon by Dr. Belman.

4 MR. STEPHENS: Teresa, if you --

5 MS. GONSALVES: Just excerpts are fine.

6 THE WITNESS: Most of them are pretty  
7 short anyway.

8 MR. STEPHENS: If you can e-mail it to  
9 me just so I have it specifically --

10 MS. GONSALVES: Sure.

11 MR. STEPHENS: -- as well --

12 MS. GONSALVES: I can do that.

13 MR. STEPHENS: -- that's fine. Thank  
14 you.

15 ARBITRATOR OLDHAM: All right. Folks,  
16 we will resume at 1:30.

17 (Whereupon, at 12:26 p.m., a  
18 luncheon recess was taken.)

19

20

21

22



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1 postal unions a few times?

2 A Yes.

3 Q At least three times, correct?

4 A At -- I believe it is three times.

5 Q Plus this one?

6 A Plus this one.

7 Q Okay. And when were you retained by  
8 the Postal Police Officers Association?

9 A Interesting question. I had  
10 discussions with President Bjork, boy, a  
11 year-and-a-half ago, but I would say that most of  
12 my work has been in the last several months.

13 Q When you say the last several months,  
14 could you be a little more specific?

15 A I'd have to go through my e-mails, but  
16 the bulk of my work, probably the last two,  
17 two-and-a-half months.

18 Q And when did you obtain information  
19 about the Postal Service's proposals? When did  
20 you first obtain information about the Postal  
21 Service's proposals?

22 A When did I first obtain? I'd have to

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1 check my e-mails.

2 Q A month ago? A week ago? Just the  
3 general range.

4 A Well, it seems that the Postal  
5 Service -- I got -- the information I was given  
6 on their final proposals, I got fairly recently.

7 Q Could you define fairly recently?

8 A The proposals that -- the proposals  
9 that I've cited here, but, again, I'd have to  
10 check my e-mail. I know I have an e-mail that  
11 gives me that time frame. I don't -- I'm not  
12 quite sure. I would have to go back and check my  
13 e-mails. I'm happy to provide that to you.

14 MS. GONSALVES: Okay. We request that.  
15 I'll include that in my e-mail request.

16 MR. STEPHENS: And I'll represent that  
17 it was after we got it, which was December --

18 THE WITNESS: Yes.

19 MR. STEPHENS: -- 27th of 2013.

20 MS. GONSALVES: Okay. Thank you.

21 MR. STEPHENS: Because prior to that  
22 time, it had been a different proposal.

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1 BY MS. GONSALVES

2 Q But your calculations don't include a  
3 5 percent wage cut, do they?

4 A No, they don't.

5 Q Okay. I think you testified as to  
6 this, but I just want to make sure that I'm clear  
7 as to what you're testifying to and what you're  
8 not testifying to.

9 You're not categorizing Postal Police  
10 Officers as security guards or police officers,  
11 correct?

12 A I haven't done a study of Postal Police  
13 Officers, so no.

14 Q And have you -- I'm assuming that this  
15 answer is implicit in what you're saying, but  
16 have you observed Postal Police Officers in the  
17 performance of their duties?

18 A No, I have not.

19 Q And you haven't then met with -- you  
20 also haven't met with Postal Police supervisors  
21 or managers, correct?

22 A No, I have not.



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1 Q Now, if you heard testimony from Postal  
2 Service supervisors and managers that their  
3 duties were different than what has been  
4 represented to you, would that change your  
5 opinion, your conclusions?

6 A My -- tell me what my conclusions are  
7 that you're referring to, and I'll be happy to  
8 answer that.

9 Q Well, maybe that's --

10 A I'm just --

11 Q Maybe that's a good question. What is  
12 your conclusion about --

13 A My --

14 Q -- whether --

15 A My conclusion is that Postal Police --  
16 one, Postal Police Officers' pay has declined  
17 relative to other crafts in the bargaining unit.  
18 Certainly, that would not change, because it has  
19 declined relative to other crafts in the  
20 bargaining unit.

21 Q So you are not testifying that Postal  
22 Police Officers --

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1           A     Well, I haven't finished yet. Please  
2     give me a chance. The rest -- the balance of my  
3     testimony on comparables was a comparison of  
4     Postal Police Officer pay to the pay of police  
5     officers under the Service Contract Act and  
6     various Grade 6 and Grade 7 police officers in  
7     the civil service system. So my testimony about  
8     their pay relative to those positions would not  
9     change.

10          Q     Are you finished now?

11          A     Yes.

12          Q     Okay. So what I think you're saying is  
13     that you're comparing the pay, but you're not  
14     comparing the duties?

15          A     No, I am not comparing the duties. I  
16     haven't done a study for the duties.

17          Q     And you're not a job evaluation expert,  
18     are you?

19          A     I do some job evaluation. I don't hold  
20     myself out as an expert.

21          Q     You've testified previously about the  
22     private sector standard of comparability that's

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1 applicable to all postal employees, right?

2 A I think that I've -- yeah, okay. We  
3 can say I've testified to that, yes.

4 Q And as to that standard, that standard  
5 doesn't require internal comparability, does it?

6 A That standard does not -- well, yes and  
7 no. It's basically a legal argument, but if  
8 you -- let's take a look at the peculiar position  
9 of police officers. Police officers -- there are  
10 very few private sector police officer positions,  
11 which is what the statute fundamentally requires.  
12 All right. So what can you do?

13 This shows up in non-Postal Police  
14 arbitrations all the time, because most  
15 arbitration statutes -- the Wisconsin statute,  
16 the Michigan statute and many other statutes --  
17 have a comparability to the private sector built  
18 into them. And -- but what you end up doing is  
19 saying, you know, we have -- we can't do that  
20 because they're just not comparable positions in  
21 the private sector.

22 So, in this case, what we could say is,

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1 the relativities of the craft units, the other  
2 craft units, letter carriers, clerks, potentially  
3 mail handlers and rural -- they all move together  
4 fairly closely -- is established according to a  
5 private sector comparable under the law. And  
6 there's no reason to believe that unless there  
7 are big changes in the job duties that you  
8 shouldn't maintain the relativity of the Postal  
9 Police Officers to the other crafts, thereby  
10 maintaining the private sector standard.

11 Q Okay. Now back to my question, and I'd  
12 like you to answer it.

13 Section 1003(a) of the Postal  
14 Reorganization Act talks about private sector  
15 comparability. We've established that.

16 A Right.

17 Q Does it utter a word about internal  
18 comparability?

19 A I will leave that to --

20 MR. STEPHENS: Objection.

21 THE WITNESS: -- lawyers.

22

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1 BY MS. GONSALVES

2 Q Okay. Let's talk about O\*NET.

3 You've testified previously about the  
4 limitations of O\*NET, haven't you?

5 A Specifically in the case of their use  
6 in regression, yes.

7 Q And you've also testified about their  
8 limitations in the use of wage comparisons,  
9 correct? You're not testifying about that here,  
10 but you have talked -- you have testified --

11 A And I'm --

12 Q -- about it.

13 A -- happy to go into that.

14 Q I'm not interested --

15 A It's being --

16 Q -- in you going into that. I'm just  
17 trying to talk about the limitations of O\*NET.

18 A And I certainly talk about limitations  
19 of O\*NET in its use in the Postal Police  
20 arbitration, but I also use it to show that the  
21 Postal Service's estimates were incorrect.

22 Q Okay. So --

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1           A       So I use O\*NET all the time. I have a  
2       student, Russell Ormiston, at Allegheny College,  
3       who wrote his dissertation using O\*NET. So the  
4       fact that I say it has limitations doesn't mean  
5       that I don't use it. I'm simply a knowledgeable  
6       user.

7           Q       And you mentioned in your testimony  
8       that O\*NET has moved to a survey method of taking  
9       data; is that correct?

10          A       It has some clear limitations. It is  
11       not as accurate as it once was.

12          Q       Okay. And you testified about that in  
13       the rural interest arbitration proceeding, didn't  
14       you?

15          A       Absolutely. But it's also a question  
16       of -- compared to everything else, it's  
17       considerably better. So there are limitations in  
18       O\*NET. I wish that the federal government would  
19       spend enough money to have a regular update using  
20       detailed job -- using experts in job evaluation.  
21       I can show you that it's probably less accurate  
22       than it was in 2000, but it's still very, very

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1 useful, and for the type of differences we're  
2 talking about between police officers and  
3 security guards, it's unlikely that the type --  
4 that the changes in the method are greatly  
5 affecting those -- the differences in those  
6 metrics.

7 Q Those changes that took place in 2000,  
8 is that when the changes took place --

9 A I would have to go back and check or --

10 Q Okay.

11 A So it's around that time, but I'm not  
12 quite sure.

13 Q So let me just bring you back to your  
14 testimony in the interest -- in the rural  
15 interest arbitration proceeding. And this  
16 testimony was taken on February 29th of 2009.  
17 And you were asked to talk about different  
18 changes in O\*NET, and you testified as follows on  
19 pages 2,219 to 2,220: There are some important  
20 changes in the methodology since O\*NET, which --  
21 which was the first public version that may  
22 reduce its accuracy. O\*NET was done by expert

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1 evaluation, which is to say, experts reviewed job  
2 descriptions or -- or went out and studied jobs  
3 and then came back with their evaluations in all  
4 of those measures. Much more, it has moved to a  
5 self-response survey, and this has been  
6 troubling.

7           And then you discussed a presentation  
8 that you saw at Harvard University, and you  
9 testified: I can provide that there are some  
10 issues about whether O\*NET is as accurate as it  
11 was initially.

12           Do you remember giving that testimony?

13           A     Yes, I do, and I would agree with that  
14 testimony. But what I would also say is that any  
15 data series that I use, I can probably give you  
16 extensive discussion of its limitations, its  
17 strength, and I'd be happy to do that. And like  
18 my students would tell you, I spend a lot of time  
19 on data analysis.

20           O\*NET, because of cuts in the federal  
21 budget and so on, is not as good as it initially  
22 was. It's still considerably better than any



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1 other source for job evaluation. I use it. The  
2 Postal Service uses it. I publish using O\*NET.  
3 And on top of that, you know, it's considerably  
4 better as setting a standard, knowing there's  
5 some variance, some inaccuracies, than any other  
6 that we've got to the point where, as I said,  
7 Milkovich Compensation text recommends it as a  
8 starting point for job analyses.

9 Q And you would agree that visiting sites  
10 personally with experts is preferable to the  
11 survey method?

12 A It depends. This establishes a  
13 structure that that information gets fed into.  
14 And it really depends also -- for example, it  
15 seems to me in the rural letter carrier  
16 arbitration that your witness, Michael Wachter,  
17 got into some difficulty because he attempted to  
18 use a National Compensation Survey -- and maybe  
19 it was a letter carrier arbitration. I don't  
20 quite recall -- where he sat down with two postal  
21 managers and basically discussed with them how  
22 they would do -- you know, how they would place,

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1 I guess, rural letter carriers into the National  
2 Compensation Survey.

3 So it really depends on doing a neutral  
4 survey. I think that -- and the emphasis here  
5 would have to be on neutral. Bringing in a  
6 neutral job evaluate -- person to do a neutral  
7 job evaluation between the Union and the Postal  
8 Service would probably make a lot of sense.  
9 Certainly, you're doing that extensively with the  
10 rural letter carrier unit now. But a one-sided  
11 survey is unlikely to provide useful information.

12 Q But you haven't even done a one-sided  
13 survey here, have you?

14 A I'm not holding myself out as an  
15 expert.

16 Q Let's turn to exhibit -- Union 73, and  
17 this is the O\*NET summary report for security  
18 guards. Just a couple things here.

19 This particular summary report doesn't  
20 distinguish between armed and unarmed security  
21 guards, does it?

22 A Sorry. Security guards. Let's see.

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1 No, it doesn't. I don't see -- well, hold it.

2 Tools and technology, it indicates handguns,  
3 pistols and revolvers.

4 Q It doesn't --

5 A So those are possible, but it would  
6 include -- it would seem to include both armed  
7 and unarmed security guards.

8 Q But it doesn't differentiate between  
9 the two?

10 A It appears not to.

11 Q Okay. And it doesn't distinguish  
12 between, for example, an ordinary mall cop  
13 security guard or security at high-risk  
14 facilities, like at a nuclear power plant?

15 A I don't believe that it does.

16 Q So would you agree that O\*NET is very  
17 general?

18 A It is a general basis for analysis, and  
19 there -- of course, as -- this happens with any  
20 broad analysis -- and Milkovich points at this --  
21 is that you have to take specific positions and  
22 then go further ahead.

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1                   Nonetheless, I would say that given the  
2    large gaps I pointed out between police and  
3    security guards along a number of the task  
4    dimensions, by the time you take a security guard  
5    and add on a large number of duties, they start  
6    looking an awful lot like a police patrol  
7    officer. So the term you use, security guard or  
8    police patrol officer, is kind of arbitrary on  
9    your part.

10           Q     Okay. This particular -- I don't think  
11    you've been present in any of the days of  
12    testimony in this proceeding, have you?

13           A     No, I have not.

14           Q     Okay. And you haven't read the  
15    transcripts, either, have you?

16           A     I've been trying to get ahold of them.

17           Q     Okay. But you haven't read them?

18           A     I have not.

19           Q     Okay. And this particular description  
20    of security guard, it doesn't take into account  
21    various mixes of duties, does it?

22           A     I'm not sure what you mean by that.

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1 Q You know, what percentage of time is  
2 spent doing one duty versus another duty.

3 A It doesn't take into account mixes of  
4 duties. But as I've said, your problem is  
5 that the -- you know, you may arbitrarily say  
6 we're going to give this person the title  
7 security guard or police officer or cook. What  
8 matters in here is we have a pretty good  
9 development of the duties involved in a security  
10 guard or a police officer.

11 Now, for all I know, a police -- Postal  
12 Police Officer is some sort of hybrid on a  
13 continuum between the two. And what this does is  
14 it sets out a group of tasks that characterize  
15 police officers and a group of tasks that  
16 characterize security guards that make it  
17 possible, because in the end, you're going to  
18 say, go to the Service Contract Act. You're  
19 going to say, well, really, our people are  
20 security guards. And this allows you to take a  
21 look roughly and say, well, you know, a security  
22 guard or a security guard II under the Service

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1 Contract Act has these characteristics.

2 Q The Service Contract Act wage  
3 determinations by Department of Labor don't  
4 incorporate the definitions that are set forth by  
5 O\*NET, do they?

6 A I would agree with you, but please  
7 allow me to continue. I was going to point that  
8 out. But -- so you have to take your position,  
9 this PPO position, take a look at the tasks  
10 involved and find out -- determine to what degree  
11 one or another occupational definition is  
12 appropriate, because you can call someone a cook,  
13 but if they're doing the work of a police  
14 officer, then they should be compared to police  
15 officers, and that's a matter of a task analysis.

16 I don't care what you call them. I  
17 only put these forward as providing a accepted  
18 rational basis for taking a look at the tasks and  
19 comparing whatever it is that PPOs do with common  
20 occupational definitions.

21 Q And you've already testified that you  
22 didn't do that analysis, right?

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1           A     I have not done an analysis of the  
2 police or Postal Police Officers.

3           Q     Okay. Let's talk about ECI minus one.

4           A     Okay.

5           Q     I just want to make sure that I  
6 understand this. You testified that up until the  
7 late 2000s, ECI minus one, quote, unquote,  
8 performed well for the Postal Police Officers,  
9 right?

10          A     Until 2008, there was a very slow  
11 downward trend, probably caused largely by the  
12 grade increase to the Letter Carriers and then  
13 the -- the following grade increase for the APWU.  
14 But, yeah, it performed well up until around  
15 2008. They were staying at, you know, except for  
16 those grade increases, roughly the same level.  
17 But towards the end of the 2000s, it started  
18 down -- down in 2008, it started down very  
19 rapidly.

20          Q     And that conclusion that you reached,  
21 that ECI minus one performed well until that  
22 time, that's due -- that reflects the general

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1 economic conditions of the time, correct?

2 A I don't know what you mean by that.

3 Q Well, ECI one minus -- ECI minus one  
4 tracks -- well, ECI tracks general wage growth in  
5 the private sector of the economy, doesn't it?

6 A No. It's employment cost index, so  
7 that, for example -- you know, a wage index  
8 tracks wages. Employment cost index tracks  
9 employer -- you know, employer costs. So factors  
10 other than direct wages, for example, changes in  
11 taxes and so on, will go into the ECI. So you're  
12 close, but not quite right.

13 Q Okay. So it tracks general employer  
14 cost trends in the private sector of the economy?

15 A That's correct, but that's distinct  
16 from wage trends.

17 Q So changes in that index would, of  
18 course, cause changes in -- that would make sense  
19 that the PPO's changes would correlate to the  
20 changes in the private sector of the economy,  
21 correct?

22 A But not necessarily for comparable



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1 levels of work.

2 Q It's just a general index?

3 A It's a general index of the economy.

4 Q You said a couple times -- you  
5 testified about the Goldberg interest arbitration  
6 award. You may be aware that Arbitrator Dufek  
7 was involved in that arbitration. You  
8 represented that -- I would just like to  
9 clarify --

10 ARBITRATOR DUFEK: That is not a  
11 demerit by any stretch.

12 BY MS. GONSALVES

13 Q I would like you to clarify what you  
14 mean by the upgrades that you say Arbitrator  
15 Goldberg gave the APWU.

16 A It would appear from my reading that  
17 that he essentially increased the wage of the --  
18 in the clerk's unit to reflect what had happened  
19 in the NALC, and so it looked as if you were  
20 getting -- no, whatever he said, it appeared that  
21 way. In fact, that's the interpretation -- I was  
22 talking to Jim Sauber over at NALC a week ago or

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1 so, and he said, yeah, that's basically what  
2 happened. He said, because we got it, the clerks  
3 got that same increase. So whatever he said, it  
4 sure looked that way.

5 Q Okay. So he didn't actually use the  
6 word "upgrades"?

7 A Arbitrators use many words. Often they  
8 deny what they do. I'm sorry.

9 Q Could you please answer the question?  
10 Did he -- did he use the word "upgrades"?

11 A I would have to take a look through and  
12 read that carefully.

13 Q Okay. You didn't read it carefully  
14 before?

15 A I've read it carefully in the past, and  
16 I was struck by some -- what I felt, but not  
17 everybody may feel are discrepancies between how  
18 he described things and what actually happened.

19 Q We're getting near the end --

20 A Apologies to the panel, but I actually  
21 teach an interest arbitration -- a public  
22 sector dispute resolution course.

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1           Q       I'm looking at Union Exhibits 82.  You  
2       don't really have to turn to them.  These are  
3       just the exhibits about various federal agencies'  
4       police forces.  And I'm just curious about how  
5       you picked the agencies that you included in  
6       those exhibits.

7           A       I was given these by the lawyers for  
8       the PPOA.  And I did some searching under USAJobs  
9       in that case.

10          Q       But you didn't -- so you didn't pick  
11       these agencies?

12          A       No, I did not.

13          Q       Okay.  So when you looked at these  
14       particular positions that were given to you by  
15       counsel, you didn't actually look at the  
16       positions to see if PPOs could qualify for these  
17       positions, did you?

18          A       Well, of course, since I don't know  
19       what PPO qualifications -- what PPOs do, it  
20       wouldn't be possible for me to determine if they  
21       qualify, but these are the entry-level positions  
22       for, if you will, police officers in the federal

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1 service.

2 Q Are you aware -- and I -- I did do  
3 research on all these positions in my -- I have a  
4 thick redwell with -- with that research I did,  
5 and I'm going to spare us going through all of  
6 the various literature I dug up on these.

7 But are you aware that -- that a number  
8 of these positions, at least half of them,  
9 involve -- state that the person getting the  
10 position would be performing criminal  
11 investigations?

12 A I looked through these, and, you know,  
13 as one of a very long list of tasks that seems  
14 like so many job descriptions -- you throw  
15 everything in, but people usually develop their  
16 capacity as they go through. It seems like a  
17 pretty standard job description in that sense.

18 Q Okay. Well, let's just --

19 A It was very complete, as the federal  
20 government requires.

21 Q Let's just talk as an example about  
22 Exhibit 83, which is the NIH, I believe.

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1           A     Okay.

2           Q     Are you aware that Postal Police  
3 Officers don't have to have a year of police or  
4 security experience before coming on board?

5           A     That's true, but the current Postal  
6 Police Officers have considerable experience. So  
7 I'm not saying in this case -- what you seem to  
8 be saying is are they identical positions.

9                     What I'm saying is, if someone had a  
10 number of years of experience, then, as a police  
11 officer in another agency, would they qualify for  
12 a Step 6 or Step 7 at NIH. So your -- you may be  
13 entirely right, but it's not really relevant to  
14 what I was testifying to.

15          Q     Okay. Well, are you aware that a  
16 number of our Postal Police Officers applying for  
17 these various jobs couldn't meet the minimum  
18 requirements?

19          A     I have not been told that.

20          Q     And you would agree that all of the  
21 agencies for which examples were provided are  
22 funded by taxpayer funds?

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1           A     One assumes, since they're federal  
2 agencies, they're funded by federal taxes, import  
3 duties and any number of revenue sources, but  
4 mostly taxes.

5           Q     I want to just turn briefly -- and this  
6 is -- I think is -- I have two more areas to talk  
7 about, but they should both be quick. Slide No.  
8 50.

9           A     Slide number?

10          Q     No, it can't be Slide 50, can it? Oh,  
11 yes, it can.

12                    ARBITRATOR OLDHAM: You mean the page  
13 number in the --

14                    MS. GONSALVES: Yeah.

15                    THE WITNESS: Okay. Yes.

16                    ARBITRATOR OLDHAM: I got it.

17 BY MS. GONSALVES

18          Q     And about halfway down, total pay with  
19 roll-ups and fringes.

20          A     Yes.

21          Q     You said that that was 48 percent --

22          A     Yes.

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1 Q -- that that 48 percent pay roll-up --  
2 and you testified that that was a high -- high  
3 percentage, correct?

4 A Yeah. 48 percent is high, say,  
5 relative to an average for the private sector.

6 Q So in your experience, what would an  
7 average private sector roll-up be?

8 A You know, I'd have to go back to the  
9 employer cost of employee compensation and check  
10 that, but it -- it would be lower without a  
11 doubt.

12 Q Okay. I know you're an economist --

13 A Substantially --

14 Q -- and you like to be --

15 A Yeah, but I --

16 Q -- precise --

17 A And one of the miracles of the  
18 Internet, which is very good since I'm about to  
19 turn 60, is I don't have to memorize those  
20 anymore. I can check quickly. But it would be,  
21 I would guess, on average, across substantially  
22 lower.

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1 Q Half?

2 A I don't know. I would -- I would have  
3 guessed a third, but why guess when we can look  
4 at the employer cost of employee benefits.

5 Q Okay. And what -- what exactly goes  
6 into this roll-up factor?

7 A This is a roll-up for, essentially,  
8 overtime, time paid not worked.

9 Q What about benefits? It includes  
10 benefits, doesn't it?

11 A I would have to go back and check my  
12 calculations. I'm not sure that it does, but --  
13 yeah, it probably includes -- yeah, it would  
14 include benefits.

15 ARBITRATOR OLDHAM: And vacations?

16 THE WITNESS: What?

17 ARBITRATOR OLDHAM: And vacation time?

18 THE WITNESS: Oh, yeah. That's time  
19 paid not worked.

20 BY MS. GONSALVES

21 Q It also includes paid leave, right?

22 A Yes.



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1 Q Okay. And -- and you just said it does  
2 include benefits?

3 A I'd like to go back and -- I would have  
4 to check my numbers. I can certainly provide  
5 that to you.

6 Q All right. Last question, I think. I  
7 think you were aware that the PPOA proposals call  
8 for locality pay, are you not?

9 MR. STEPHENS: There's an objection --  
10 we object only that it assumes a fact not in  
11 evidence.

12 MS. GONSALVES: Okay. It assumes a  
13 fact not in evidence? You guys are seeking  
14 locality pay, right?

15 MR. STEPHENS: No, that's not correct.

16 MS. GONSALVES: Oh, you are not. Okay.  
17 I was wondering why that wasn't included in the  
18 costing analysis, and I guess that that would be  
19 the reason why.

20 MR. STEPHENS: No. And again, not  
21 meaning to take attention away from the witness,  
22 but our -- the proposal, when one compares to

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1 federal agencies, every federal law enforcement  
2 officer that we're aware of receives locality  
3 pay. You receive locality pay even if you live  
4 in Dubuque. So locality pay is something built  
5 in. So to the extent we're make comparisons,  
6 we're making comparisons to federal employees,  
7 all of whom receive locality pay.

8           So the analysis that I believe  
9 Professor Belman did was a weighted average  
10 analysis using the LEO scales, but weighted by  
11 where PPOs are located around the country.  
12 But -- so we're not seeking different --  
13 different pay for working in San Francisco versus  
14 working in Memphis.

15           MS. GONSALVES: But everyone would  
16 receive higher pay based upon an average of the  
17 locality pay applied to the federal sector?

18           MR. STEPHENS: Not if you live in New  
19 York or San Francisco.

20           MS. GONSALVES: Okay. So everyone  
21 except for people that live in San Francisco in  
22 New York --

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1 THE WITNESS: No. I think one whose  
2 pay is --

3 MR. STEPHENS: Which is about half  
4 of --

5 THE WITNESS: -- below that average  
6 would receive above, and anyone whose pay  
7 is above the average -- half the value is at the  
8 average, so, you know, anyone in New York, San  
9 Francisco, et cetera, would have the total value,  
10 be receiving pay that's below their equality  
11 equivalent. That's the nature of a mean.

12 MS. GONSALVES: I think that's the  
13 end -- the end of my questions, but I just want  
14 to check. We would also like to keep cross open  
15 for the possibility of asking additional  
16 questions, especially as to the cost proposals,  
17 because that will take time and energy. As Dr.  
18 Belman knows from the rural proceedings, there  
19 were separate meetings specifically about these  
20 exhibits, so -- because they are complicated.

21 ARBITRATOR OLDHAM: That's fine. We  
22 arranged that earlier, and we will preserve that

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1 possibility. Anything else, Arlus, for today?

2 MR. STEPHENS: No, sir.

3 ARBITRATOR DUFEK: I do have -- I have  
4 a -- Dr. Belman, you would have been  
5 disappointed if I hadn't asked.

6 THE WITNESS: I would have been --

7 ARBITRATOR DUFEK: You would have been.

8 THE WITNESS: -- but notice I haven't  
9 testified as to what comparability between rural  
10 letter carriers and UPS drivers and --

11 ARBITRATOR DUFEK: Yeah, I missed that.  
12 I have a comment and then I have some questions.  
13 The comment is -- goes to your interpretation of  
14 the Goldberg award done in 2001, and I think it  
15 will be part of the Postal Service's presentation  
16 as to what was done precisely in that award.

17 But I find it somewhat astonishing that  
18 you would conclude that there was an upgrade  
19 somewhere buried in there, when, in year one --  
20 and I remember this quite vividly -- the COLA was  
21 lump summed and deferred. The COLA base was  
22 rebased, and the percentage increase was very

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1 modest, nowhere near a grade increase. But we  
2 can develop those facts as we go along in this  
3 proceeding.

4 More important issue from my vantage  
5 point is, you're aware of the fact that these  
6 unions, at least the four major ones, used to  
7 bargain on a joint basis in something called the  
8 Joint Bargaining Committee, and you referred to  
9 that in your testimony, correct?

10 THE WITNESS: (Nodding.)

11 ARBITRATOR DUFEK: And you're aware of  
12 the fact that, over time, that Joint Bargaining  
13 Committee broke up?

14 THE WITNESS: Yes.

15 ARBITRATOR DUFEK: And are you aware  
16 the reasons why it broke up?

17 THE WITNESS: They've only been hinted  
18 at.

19 ARBITRATOR DUFEK: But would it  
20 surprise you that different unions had different  
21 bargaining priorities?

22 THE WITNESS: No.

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1 ARBITRATOR DUFEK: And would it  
2 surprise you that those bargaining priorities  
3 often come to the table in terms of language  
4 requests?

5 THE WITNESS: (Shaking head.)

6 ARBITRATOR DUFEK: And would it  
7 surprise you that the relationship between the  
8 APWU and the NALC was at one time identical?

9 THE WITNESS: I'm sorry. I didn't  
10 quite --

11 ARBITRATOR DUFEK: It was at one time  
12 identical. They were -- and today, they're not.

13 MR. STEPHENS: (Nodding.)

14 ARBITRATOR DUFEK: And you canvassed 25  
15 years of bargaining history from 1994 through  
16 roughly 2017 in this discussion today.

17 And you're not suggesting for the panel  
18 in any way that we're to ignore the bargaining  
19 priorities that the parties brought to the table  
20 in those negotiations and/or interest arbitration  
21 proceedings?

22 THE WITNESS: I would say that you

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1 ought to take -- well, obviously, not. Why be  
2 wordy when I don't have to be?

3 ARBITRATOR DUFEK: No further  
4 questions.

5 ARBITRATOR OLDHAM: All right. Thank  
6 you very much, Dr. Belman.

7 (Witness excused.)

8 Am I right that this concludes our  
9 proceedings for the day?

10 MS. GONSALVES: (Nodding.)

11 ARBITRATOR OLDHAM: Are we resuming  
12 tomorrow at 9:30? All right. See everyone then.

13 (Whereupon, the proceedings were  
14 concluded at 2:05 p.m.)

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16 \* \* \* \* \*

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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 -----  
ERICK M. THACKER  
17 Notary Public in and for the  
District of Columbia

18

19

20 My commission expires:  
June 14, 2014

21

22



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