

Capital Reporting Company
In the Matter of: USPS and PPOA 01-08-2014

BEFORE THE BOARD OF INTEREST ARBITRATION

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In the Matter of: :
 :
UNITED STATES POSTAL SERVICE :
 : Volume 1
and : (Pgs. 1 to 94)
 :
POSTAL POLICE OFFICERS :
ASSOCIATION :
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Washington, D.C.

Wednesday, January 8, 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 10:05 a.m., when were present on behalf of the respective parties:

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<p style="text-align: right;">2</p> <p>1 A P P E A R A N C E S</p> <p>2 Before Arbitrators:</p> <p>3 James C. Oldham, Impartial Chair</p> <p>4 Robert A. Dufek, USPS Member</p> <p>5 James Bjork, PPOA Member</p> <p>6 On behalf of the PPOA:</p> <p>7 ARLUS J. STEPHENS, ESQUIRE</p> <p>8 DONNA MCKINNON, ESQUIRE</p> <p>9 MURPHY ANDERSON, PLLC</p> <p>10 1701 K Street, Northwest</p> <p>11 Suite 210</p> <p>12 Washington, D.C. 20006</p> <p>13 (202) 223-2620</p> <p>14 On behalf of the U.S. Postal Service:</p> <p>15 TERESA A. GONSALVES, ESQUIRE</p> <p>16 JULIENNE BRAMESCO, ESQUIRE</p> <p>17 United States Postal Service</p> <p>18 475 L'Enfant Plaza, Southwest</p> <p>19 Washington, D.C. 20260</p> <p>20 (202) 268-6704</p> <p>21</p> <p>22 ALSO PRESENT:</p> <p>23 Chris Vitolo, PPOA</p> <p>24 Eric Freeman, PPOA</p> <p>25 Joshua Pierce, PPOA</p> <p>26 Mike Plaugher, PPOA</p> <p>27 Shawn Fletcher, PPOA</p> <p>28 Joe Alexandrovich, USPS</p> <p>29 Sonya J. Penn, USPS</p> <p>30 Katherine P. Sullivan, USPS</p> <p>31 Janet Peterson, USPS</p> <p>32</p> <p>33 * * * * *</p>	<p style="text-align: right;">4</p> <p>1 P R O C E E D I N G S</p> <p>2 ARBITRATOR OLDHAM: All right, folks.</p> <p>3 Let's officially say good morning. Thank you for</p> <p>4 your patience while I arranged parking, which we</p> <p>5 should have thought of beforehand but didn't.</p> <p>6 And I think we are set to begin.</p> <p>7 I'm a newcomer to the Postal Service</p> <p>8 interest arbitration. I am, of course, familiar</p> <p>9 with the process in other contexts with other</p> <p>10 parties and have had some time to look at the</p> <p>11 things that have been given to me in advance. I</p> <p>12 don't promise to have read through all of the</p> <p>13 joint exhibits. You'll understand that.</p> <p>14 I have looked at the parties'</p> <p>15 prehearing briefs and understand the background</p> <p>16 to some extent, but I think our purpose today, if</p> <p>17 I'm not mistaken, is to do opening statements</p> <p>18 from each side, and then we'll reconvene next</p> <p>19 week for the cases in chief. Correct?</p> <p>20 ARBITRATOR DUFEEK: That's correct.</p> <p>21 ARBITRATOR OLDHAM: Is there any</p> <p>22 preliminary business before we go straight to</p>
<p style="text-align: right;">3</p> <p>1 C O N T E N T S</p> <p>2 OPENING STATEMENTS PAGE</p> <p>3 By Ms. Gonsalves 6</p> <p>4 By Mr. Stephens 55</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p>	<p style="text-align: right;">5</p> <p>1 opening statements?</p> <p>2 ARBITRATOR DUFEEK: I think -- I just</p> <p>3 want to apologize to everybody. I already did to</p> <p>4 Arlus and to the PPOA generally. I -- I just</p> <p>5 never thought I'd get selected on January 6th,</p> <p>6 and I did, so I ended up on a jury. We heard a</p> <p>7 case. We went to verdict, and so it's behind me</p> <p>8 now, but, again, thank you for all of your</p> <p>9 consideration and to the panel, too. Appreciate</p> <p>10 it.</p> <p>11 ARBITRATOR OLDHAM: Actually, I had</p> <p>12 that happen once, and I served on a superior</p> <p>13 court jury and was amazed that they chose me.</p> <p>14 And the judge called people up for individual</p> <p>15 conversations and he knew I was a law professor,</p> <p>16 and he only asked me one question, and he said,</p> <p>17 now, are you going to be able to be honorable if</p> <p>18 I give an instruction and you don't agree with</p> <p>19 it? I said I'm sure that wouldn't -- wouldn't</p> <p>20 happen. It was an interesting experience.</p> <p>21 All right. Anything I have before me</p> <p>22 except joint exhibits was delivered last week, a</p>

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6	<p>1 few days ago. And hearing nothing about 2 preliminary business, who goes forward? 3 MS. GONSALVES: The Postal Service 4 does. 5 ARBITRATOR OLDHAM: Very good. 6 MS. GONSALVES: Arbitrator Oldham, 7 Arbitrator Bjork and Arbitrator Dufek, good 8 morning. My name is Teresa Gonsalves. I'm chief 9 counsel, labor relations, for the Postal Service, 10 and I'd like to begin by just introducing the 11 team who's here at the table with me. 12 Beginning with my right, we have Joe 13 Alexandrovich, who is the manager of collective 14 bargaining and arbitration for the Postal 15 Service. To my left, Julienne Bramesco, labor 16 counsel. To her left is Sonya Penn and to 17 Sonya's left is Kate Sullivan, and they are both 18 labor relation specialists. Behind them also on 19 our team is Janet Peterson, who's also a labor 20 relations specialist. We couldn't all fit here, 21 so -- but those are the names that appear on your 22 briefs.</p>	8	<p>1 by Arbitrator Fishgold as to the National Postal 2 Mail Handlers Union. 3 Exhibits 7 and 8 are the two primary 4 handbooks that are at issue here. Exhibit 7 is 5 for -- generally, it's for PPO supervisors, 6 although it has a lot of procedures that are 7 relevant to everyone, and Exhibit 8 is the Postal 8 Police Officers Guide, which is generally for 9 Postal Police Officers, which we'll be referring 10 to time -- sometimes as PPOs. 11 You've also been given a copy of the 12 exhibits for this opening statement, as well as 13 the exhibits for our first witness, who now won't 14 be on until the end of January, Curtis Whiteman. 15 Behind Tab A of that book are the exhibits for 16 this opening statement that I'll be referring to. 17 Arbitrator Oldham, at the end of this 18 interest arbitration proceeding, you and your 19 fellow panelists will be asked to determine the 20 terms for the new collective bargaining agreement 21 between the Postal Police and the Postal Service. 22 Now, this is not -- obviously not an</p>
7	<p>1 I'd like to start by just going over 2 the joint exhibits for the record. Joint Exhibit 3 1 is the now expired but most current collective 4 bargaining agreement between the Postal Police 5 and the Postal Service. 6 Joint Exhibit 2 is the award that 7 resulted in the most current but now the expired 8 collective bargaining agreement by Arbitrator 9 Fishgold. 10 Exhibit No. 3 and exhibit -- through 11 Exhibit No. 6 represent the agreements that have 12 been reached through -- so far in the 2010-2012 13 bargaining cycle, beginning with Exhibit 3, the 14 APWU, the American Postal Workers Union 15 agreement, which was a voluntary agreement, and 16 then followed by three interest arbitration 17 awards by Arbitrator Clarke with regard to the 18 National Rural Letters Carriers Association. 19 Exhibit 5 is an award by Shyam Das in 20 the National Association of Letter Carriers -- 21 that's our city letter carrier craft -- and, 22 finally, the interest arbitration award entered</p>	9	<p>1 adversarial proceeding like we normally think of 2 with litigation; rather, collective bargaining 3 interest arbitration is an extension of 4 collective bargaining. And in this case, 5 collective bargaining between Postal Police and 6 Postal Service extended from February of 2012 7 until impasse was declared in April of 2013. 8 And the fact that the parties were 9 unable to reach an agreement is not only 10 disappointing, but it's also surprising, 11 especially given the four contracts that preceded 12 the Postal Police. But the fact that no 13 agreement was reached is still the fact, and 14 that's why we're here today, and we are very 15 grateful for the board's assistance with this 16 important matter. 17 This presentation will focus primarily 18 on four facts or themes that will underlie Postal 19 Service's position in this proceeding. So let's 20 begin with an overview of this opening statement. 21 Fact 1, the Postal Service is in the midst of a 22 financial crisis, and that is not seriously in</p>

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10	<p>1 dispute here.</p> <p>2 Fact 2, each of the new labor contracts</p> <p>3 recognizes the financial crisis and restructures</p> <p>4 and reduces labor costs accordingly.</p> <p>5 Fact 3, the PPOs whose -- who primarily</p> <p>6 perform postal security functions do not perform</p> <p>7 a core function of the Postal Service. This</p> <p>8 doesn't mean that they don't perform an important</p> <p>9 function, and we'll be talking about this more</p> <p>10 later. It just means that they don't perform a</p> <p>11 function that's directly related to the Postal</p> <p>12 Service's core mission.</p> <p>13 And in this section, we're going to be</p> <p>14 doing an introduction to the Postal Police, and</p> <p>15 we're going to talk about their duties and take a</p> <p>16 quick look at why they're properly classified as</p> <p>17 security guards and not as law enforcement</p> <p>18 officers.</p> <p>19 Fact No. 4, the Postal Police's wages</p> <p>20 and benefits are higher than comparable private</p> <p>21 compensation and must be addressed. And at the</p> <p>22 end of the day, we hope you will reach the</p>	12
11	<p>1 conclusion that the Union's request for higher</p> <p>2 wages and wages that are higher than what has</p> <p>3 been agreed to or awarded in the other</p> <p>4 proceedings is unsupportable. The Postal Police</p> <p>5 must similarly contribute to the solution. The</p> <p>6 Postal Service's proposals for an award should be</p> <p>7 adopted.</p> <p>8 So let's turn first to Fact No. 1. The</p> <p>9 Postal Service is in the midst of a financial</p> <p>10 crisis. Everyone in this room has, I'm sure,</p> <p>11 heard a lot about the Postal Service in the media</p> <p>12 and has heard a lot about the financial obstacles</p> <p>13 facing the Postal Service, and so I won't belabor</p> <p>14 this obvious point. We went into a fair amount</p> <p>15 of detail about it in our brief, so our brief --</p> <p>16 a copy of our brief is behind Exhibit A1, and we</p> <p>17 describe the financial situation of the Postal</p> <p>18 Service at pages 2 through 11.</p> <p>19 And Curtis Whiteman, who's an executive</p> <p>20 here at the Postal Service -- he's the manager of</p> <p>21 Business Planning and Analysis -- is going to</p> <p>22 paint a vivid picture of the grave financial</p>	13
10	<p>1 condition of the Postal Service. But if you'd</p> <p>2 like to have even more details about that, we've</p> <p>3 included a copy of the Postal Service's 10-K, its</p> <p>4 annual report from 2013, behind Exhibit A3, and</p> <p>5 we've also included a copy of the Postal Service</p> <p>6 five-year business plan behind Exhibit A4.</p> <p>7 First of all, there are three things I</p> <p>8 just want to touch on in this section. This</p> <p>9 number is staggering. The Postal Service has had</p> <p>10 over \$45 billion of net losses since 2007.</p> <p>11 Secondly, the Postal Service's liabilities exceed</p> <p>12 its assets by more than \$40 billion, and as I</p> <p>13 said, Mr. Whiteman will be going into more detail</p> <p>14 on each of these points. But this bullet</p> <p>15 indicates that the Postal Service is insolvent.</p> <p>16 And the third point is that the Postal</p> <p>17 Service has dangerously low liquidity. And I</p> <p>18 want to hum a few more bars about this, because I</p> <p>19 think this is a really important point. Whereas</p> <p>20 a healthy company in the private sector would</p> <p>21 have at least 30 days of liquidity on hand --</p> <p>22 that means 30 days of cash on hand -- the Postal</p>	12
11	<p>1 Service at most times only has a few days of</p> <p>2 liquidity on hand. Now, the Postal Service's</p> <p>3 biweekly payroll obligation is \$1.7 billion, and</p> <p>4 we have sometimes come dangerously close, the</p> <p>5 testimony will show, to being able to meet that</p> <p>6 \$1.7 billion obligation.</p> <p>7 And why is this important? This is</p> <p>8 important for a lot of reasons, but for one</p> <p>9 reason, when the Postal Service lacks sufficient</p> <p>10 liquidity, it can't make the capital investments</p> <p>11 it needs in order to compete in the marketplace.</p> <p>12 For example, just to name one example, the</p> <p>13 average postal vehicle is now a quarter of a</p> <p>14 century old. We need to replace our fleet, but</p> <p>15 we simply don't have the cash to do that. So</p> <p>16 what's causing this crisis?</p> <p>17 Let's just take a step back for a</p> <p>18 second here. The Postal Service has been a</p> <p>19 central institution for American communication</p> <p>20 and commerce for almost two-and-a-half centuries.</p> <p>21 I mean, we're in the Constitution. But that's</p> <p>22 all changing. And what's been happening most</p>	13

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14	<p>1 recently is a phenomenon called electronic 2 diversion, and I believe that a lot of people in 3 this room are already familiar with that. 4 What that essentially means is that 5 people are starting to communicate in a different 6 way, and they're starting to pay their bills in a 7 different way. They're starting to receive their 8 billing payments in a different way. So rather 9 than mailing a payment or receiving a -- a bill 10 through the mail, they're more and more using the 11 Internet, e-mail, electronic mechanisms such as 12 that. And what this has caused is a decline in 13 overall mail volume. And the Postal Service's 14 analyses and studies show that this decline in 15 mail volume is permanent. It's not going to be 16 returning. It is not foreseeing that this volume 17 will return. 18 But the second aspect of electronic 19 diversion that's important has to deal with mail 20 mix. What's in the bag? What's in that satchel 21 that the letter carriers are delivering? What's 22 in there? The bottom line is that there's less</p>	16	<p>1 standard mail. And people are already 2 complaining about the amount of standard mail 3 that they get in their mailboxes. So that's 4 pretty significant. 5 The second cause is -- whoops -- the 6 second cause is an expanding delivery network. 7 The post -- the American population quadrupled in 8 the 20th century, and, of course, it continues to 9 grow. So as American population grows and among 10 other causes, the Postal Service's delivery 11 network also has to correspondingly grow, and 12 that has also affected us, because there's less 13 mail and less lucrative mail going to more 14 delivery points. 15 The third point is the competitive 16 product market. So we have -- the Postal Service 17 faces competition from all sorts of sources. We 18 have competition for our competitive products, 19 which are things like Priority Mail, Overnight 20 Mail, from FedEx, UPS, DHL, regional delivery 21 companies, local delivery companies, and we also 22 have competition for our competitive products --</p>
15	<p>1 first class mail in the form of those billing 2 statements -- in the form of those billing 3 statements. And first class mail is the Postal 4 Service's most lucrative product. I just want to 5 give an example here. 6 First of all, the general point: It 7 takes three pieces of standard mail, which is 8 advertising mail, to make up for the loss of one 9 piece of first class mail, three pieces of 10 standard mail to make up for the loss of first 11 class mail. 12 So let's say, just for example, that an 13 average household gets eight bills a month. And 14 some people may be saying, I wish, but let's just 15 say that the average household gets eight bills a 16 month. With electronic diversion, say that those 17 are bills are received electronically and paid 18 electronically. That is 16 total first class 19 mail pieces that are lost for that household. 20 You know, so how many pieces of standard mail 21 would we need to make up for those 16 lost pieces 22 of first class mail? We'd need 48, 48 pieces of</p>	17	<p>1 I mean, for our -- from -- for our standard 2 products in the form of advertising, other 3 advertising. We have competition in that respect 4 from direct mail and media, including newspapers, 5 Internet, radio and TV, and these all compete 6 against our standard mail. 7 And thirdly and finally, I want to talk 8 a little bit about what I call PAEA or the Postal 9 Accountability and Enhancement Act of 2006, and I 10 want to talk about two aspects of PAEA and how 11 this has created additional obstacles for the 12 Postal Service. 13 The first obstacle is relatively 14 well-known. It's the prefunding obligation of 15 retiree health benefits, and that prefunding 16 obligation puts a burden on the Postal Service to 17 the tune of five to five-and-a-half billion 18 dollars per year. It's a burden that no other 19 entity in the private sector must bear, and it's 20 a burden that no other entity in the public 21 sector must bear. The Postal Service is alone in 22 this obligation that extends through the year</p>

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18	<p>1 2017.</p> <p>2 But secondly and very important and</p> <p>3 maybe lesser known aspect of PAEA that has very</p> <p>4 seriously significantly affected the Postal</p> <p>5 Service is the imposition of a price cap on the</p> <p>6 Postal Service's market, what's called</p> <p>7 market-dominant products, and those</p> <p>8 market-dominant products include first class mail</p> <p>9 and standard mail.</p> <p>10 Now, these products comprise a total of</p> <p>11 80 percent of postal revenue, and what PAEA did</p> <p>12 was -- prior to PAEA, the Postal Service could</p> <p>13 increase its prices as it needed -- as it saw</p> <p>14 fit. It just needed to balance its revenues and</p> <p>15 its -- and its costs, but, today, the Postal</p> <p>16 Service is constrained to only increase its</p> <p>17 product prices by inflation.</p> <p>18 Now, over the last several years, those</p> <p>19 increases have been about 1.5 to 2 percent, and</p> <p>20 so that has been -- the Postal Service cannot now</p> <p>21 increase its prices on those products, 80 percent</p> <p>22 of its -- of its revenue, as it sees fit, and</p>	20
19	<p>1 that's been a huge constraint. Also, a price</p> <p>2 floor was established for the Postal Service's</p> <p>3 competitive products.</p> <p>4 There has been recently an exigent</p> <p>5 price increase granted by the Postal Service, and</p> <p>6 Mr. Whiteman will be speaking a little bit more</p> <p>7 about that, but it's just a temporary price</p> <p>8 increase that's taking effect on January 26th,</p> <p>9 and it's certainly not at all what the Postal</p> <p>10 Service had sought for this permanent decline in</p> <p>11 mail volume that results from what we call The</p> <p>12 Great Recession.</p> <p>13 So there are no easy solutions to this</p> <p>14 most complicated problem. The Postal Service has</p> <p>15 tried to target non-labor costs through a number</p> <p>16 of postal initiatives. For example, we've tried</p> <p>17 to realign or rightsize our network, and as we</p> <p>18 discuss in our brief, we've -- we've implemented</p> <p>19 a plan called POSTPlan, which is the Post Office</p> <p>20 Structure Plan, which has affected the operations</p> <p>21 of over 10,000 post offices or it will affect --</p> <p>22 it's estimated to affect 13,000 post offices in</p>	21

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22	<p>1 the financial crisis and restructured and reduced 2 labor costs. And Joe Alexandrovich to my right 3 is going to testify in detail about the new 4 agreements and the -- and the new agreements 5 resulting from the three interest arbitration 6 awards and the voluntary agreement, but those 7 agreements are all behind -- they're all -- as we 8 already discussed, they're all joint exhibits. 9 So the APWU agreement is Joint Exhibit 3; Clarke 10 award, Exhibit 4; Das award, Exhibit 5; and 11 Fishgold award, Exhibit 6. 12 So let's take a quick look at the 13 common terms of these agreements, and they were 14 all -- it was all awarded in 2010 and 2011. As I 15 mentioned, Joe Alexandrovich will take a look at 16 each contract individually. Each panel addressed 17 labor costs in a slightly different way, but 18 there are some common terms that can be drawn 19 from them. Number one, wages. All of the 20 contracts have two -- a two-year wage freeze 21 followed by three years of modest increases. 22 Number two, all contracts include a</p>	24	<p>1 associated with a non-career employee are 2 40 percent on average the costs associated with a 3 career employee. So non-career employees cost 4 approximately 40 percent what a career employee 5 costs. And all told, these contracts are 6 estimated to save the Postal Service \$12 billion. 7 Why are we here today? We're here 8 today because the PPOA has been unwilling to 9 agree to a contract that contains terms that are 10 consistent with and even less burdensome for the 11 Postal Police than the terms of the previous 12 labor agreements. 13 We aren't asking that all common 14 aspects of the previous labor contracts be apply 15 today the Postal Police. And I'll go into a 16 little more detail about this later, and we'll do 17 that for our future presentations as well. But, 18 still, the Postal Service firmly believes that 19 the Postal Police should not get a pass. They 20 must do as other unions and non-bargaining 21 employees have -- non-bargaining unit employees 22 have done to help the Postal Service in this</p>
23	<p>1 reduction in the employer health benefit 2 contribution rate. It was -- it was the same. 3 So, by 2016, all bargaining unit employees will 4 be at a 76 percent contribution rate. The 5 employer contribution rate will be 76 percent. 6 Third, all of the bargaining units 7 included a two-tier work force. The -- where 8 the -- two of the contracts -- the incoming 9 salary for new employees and the top step for 10 incoming employees were reduced, and in two of 11 the contracts, only the incoming salary was -- 12 for new employees was reduced. 13 And what was this reduction like? 14 Well, for some employees, the new -- the new 15 career employees are receiving 25 percent less 16 than the other career -- than career employees 17 typically had in the past. That's a significant 18 reduction, a reduction in one fourth of their -- 19 to the tune of one fourth of their wages. 20 And, finally, there was a significant 21 increase in the non-career component, and this is 22 really important, because the labor costs</p>	25	<p>1 financial crisis. 2 Look, everyone's made a sacrifice here, 3 even groups that are relatively small. Let's 4 talk a little bit about that. Management 5 employees such as myself have experienced three 6 years of general wage freezes and no bonuses. 7 Employer contributions to health insurance for 8 postal executives and EAS employees, which are 9 management employees, are now at or close to the 10 same rate as the rest of the federal government. 11 I'm now -- the Postal Service is now paying only 12 72 percent of my premiums. 13 New non-bargaining management employees 14 are now accruing leave at a lower rate than 15 bargaining unit employees. So I won't mention 16 who, but there are people in this room who are 17 now only getting ten days of annual leave per 18 year as opposed to what they previously got, 19 which was 13 days per year. These are just some 20 examples of the shared sacrifices that are being 21 made. 22 The fact that the PPOs want to not only</p>

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26	<p>1 be exempt from this shared sacrifice, but also 2 want substantial wage increases is not feasible 3 and it's simply irrational. Their -- their 4 desire disregards the shared sacrifice of over a 5 half a million of their postal colleagues, and it 6 exemplifies an utter indifference to the 7 financial condition of the Postal Service. 8 But before we go further down this 9 path, let's put this in context by looking at the 10 PPOs, their function -- their function and their 11 compensation, and then we'll circle back to 12 discuss what the Postal Service seeking here. 13 First, the Postal Police function. The 14 Postal Police fall under the Postal Service 15 Inspection Service, and two witnesses from the 16 Inspection Service will be testifying about their 17 role. First, Dave Bowers, who is the postal 18 inspector in charge, Security and Crime 19 Prevention, Dave Bowers, postal inspector in 20 charge for short, and Keith Milke, the deputy 21 chief inspector, Headquarters Operations, they're 22 going to testify extensively about the background</p>	28	<p>1 limited law enforcement authority. 2 Secondly, I want to take a look at 3 Joint Exhibit 1, which is the collective 4 bargaining agreement that's now expired on page 5 96. 6 ARBITRATOR OLDHAM: Sorry. Let me get 7 it out. 8 MS. GONSALVES: It's okay. We tried to 9 make it hard. 10 ARBITRATOR OLDHAM: Page 96? 11 MS. GONSALVES: Yes. This memorandum, 12 it doesn't say, but it was signed on October 12th 13 of 1994, and this memorandum basically changed 14 all references to employee or employees in the 15 collective bargaining agreement to PPOs or Postal 16 Police Officers. It also changed the decals for 17 the Postal Police's vehicle doors and their 18 offices from Security Force to Postal Police, and 19 we're going to have some testimony about what 20 the -- what Security Force means as a -- as a 21 proper -- proper name. 22 But in this MOU and what I want to</p>
27	<p>1 and duties about the Postal Police. 2 But for present purposes, I just want 3 to provide some brief background regarding the 4 Postal Police and a general description of their 5 duties. There are approximately 465 Postal 6 Police in 21 facilities. That's out of a total 7 of about 320 mail processing facilities, ranging 8 from Boston to San Francisco and Detroit to 9 Miami. The title of their position, Postal 10 Police Officer, is not especially reflective of 11 their job duties. Though they are called police 12 officers, they are not law enforcement officers. 13 And I want to use a couple of examples here. 14 First of all, I'd like you to turn to 15 Postal Service Exhibit A5. This is a 1981 16 memorandum changing their title from Security 17 Post Officer to Postal Police Officer. And in 18 that memorandum and what I want to highlight is 19 the last paragraph, where the parties agreed that 20 it is understood by the Union and its membership 21 that these actions do not and should not be 22 construed as a modification or increase in their</p>	29	<p>1 focus on again is that, at the bottom, the 2 parties once again agreed that none of the 3 changes shall be construed as a modification or 4 increase or decrease in the PPOs' authority. You 5 may be asking yourself, why is this important? 6 This is really important when it comes to whether 7 they're classified as security guards or police 8 officers or law enforcement officers. This will 9 be important in our comparability case, but it's 10 also important just understanding what -- who the 11 Postal Police are. So I want to spend a little 12 bit of time discussing this. 13 PPOs are properly considered security 14 guards and not police for three primary reasons, 15 and each of these reasons is important. First, 16 based on their qualifications and duties, what 17 they do and what they do not do; second, based on 18 an OPM classification decision, Office of 19 Personnel Management; and, thirdly, based on 20 other authority, which includes MSPB authority 21 and decisions that have looked specifically at 22 the Postal Police.</p>

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30	<p>1 Let's turn to that -- let's turn to 2 that first factor. Postal Police qualifications, 3 what they do and do not do. Postal Police 4 Officers are not required to have a high school 5 diploma. They are required to have a driver's 6 license, and they are required to have a clear 7 driving record for three years. They must pass a 8 physical at the time that they're hired, but 9 there is no ongoing physical requirements. They 10 must pass a written exam just like other postal 11 employees. They must take an eight-week-long 12 postal training course that includes 13 qualifications in firearms, and they have to 14 maintain that qualification. But that training, 15 as the testimony will demonstrate, is very, very 16 different from the training required of postal 17 inspectors and other law enforcement officers. 18 The PPOA, in its brief, paints a 19 picture of the duties of Postal Police, but that 20 description is inaccurate and definitely 21 incomplete. It focuses on what we'd view to be 22 the exceptions, not the rule. Various decisions</p>	32	<p>1 by foot around postal property, along postal 2 property, within postal property or between 3 postal properties. They may go from one postal 4 property to the other. 5 But what PPOs do not do -- and I 6 think -- though they have limited detainment 7 authority, they do not serve arrest or search 8 warrants. They do not conduct investigations and 9 certainly not criminal investigations, though 10 they do occasionally engage in preliminary 11 fact-finding, what we call preliminary 12 fact-finding, as to postal assets, and assets 13 here are defined as not only property, but also 14 people. They don't conduct surveillance or 15 perform safety assessments. So that's just a -- 16 kind of a broad view of -- of PPO qualifications 17 and duties. It's certainly not complete, but 18 there will be a lot of testimony on this point. 19 The second reason why PPOs are properly 20 classified as security guards and not police 21 officers is because of a classification decision 22 by the Office of Personnel Management, and it's</p>
31	<p>1 have made it clear that when you are trying to 2 classify a position, it's important to look at 3 the whole -- the whole picture, the whole 4 position. You have to take a position or 5 approach. You have to look at the pattern of 6 duties that govern. You don't look just to the 7 duties that apply infrequently. Any examples of 8 the Postal Police assisting law enforcement 9 officers, for example, that's exceptions. It's 10 not the primary duties. Their normal duties 11 don't require those functions. 12 So what do their typical duties 13 involve? You may have encountered a Postal 14 Police Officer when you entered the building this 15 morning. They generally play a role in 16 controlling access to buildings, along with 17 contract security and technology. And by 18 technology, I mean things like metal detectors, 19 video surveillance, things like that. They 20 protect and secure postal property by having 21 fixed duties, and they also have mobile post 22 duties as well, where they travel by vehicle or</p>	33	<p>1 behind Tab A6 in your binder of postal exhibits. 2 And this decision is one-and-a-half pages long, 3 very short, and Dave Bowers will be testifying 4 about this decision. And it -- this decision 5 acknowledges -- at the beginning, you'll see 6 it -- that there's an overlap between guards and 7 police and that distinct -- that sometimes the 8 distinction between police and guard work is 9 difficult to make. 10 But then it sets forth four, quote, 11 indicators which can be used to determine the 12 proper series, end quote, and expresses a 13 presumption for guard work where, quote, a 14 definite and positive police orientation does not 15 exist in the four indicators. 16 So let's just take a quick look -- I'm 17 just setting this up a little bit, planting a 18 seed. Let's take a look at the four indicators. 19 The first indicator is the basic mission of the 20 security organization. And the question that's 21 asked here is: Is it primarily to protect 22 property, or is it primarily to protect persons?</p>

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34	<p>1 Second, arrest authority. Police are 2 typically designated by law or official act to be 3 law enforcement officers, and they have the 4 authority to enforce a wide range of laws, you 5 know, local, federal, state, county. Guards 6 usually have arrest authority consistent with 7 private -- a private citizen or occasionally like 8 a sheriff.</p> <p>9 Now, I want to say that I'm not 10 generally speaking here -- I'm just explaining 11 the factors -- but I did want to interject some 12 facts on this factor because this is the closest 13 factor. But it still favors a decision that 14 it's -- it falls under guard. PPOs do have some 15 statutory arrest authority, and that's what makes 16 this factor a closer call, but the Inspection 17 Service, which oversees the Postal Police, has 18 limited that authority a lot. So, in practice, 19 PPOs almost never make arrests.</p> <p>20 Training. This is a matter of what is 21 stressed in training. Are you stressing law 22 enforcement? Are you stressing protection of</p>	36	<p>1 before the MSPB because the PPOs at issue in 2 these cases were seeking law enforcement credit 3 towards their retirement, and, basically, the 4 judges here had to -- administrative judges here 5 had to analyze to find out if they're entitled to 6 law enforcement credit. And in all of the 7 decisions that we've uncovered -- and we've done 8 a thorough search -- the conclusion has always 9 been that Postal Police do not deserve a law 10 enforcement credit toward retirement.</p> <p>11 So the first decision is Forrest, and 12 this -- a copy of this is behind Exhibit Tab A8. 13 And there, LEO is just shorthand for law 14 enforcement officer. They found that the PPO 15 supervisor was not a LEO because the primary job 16 activities did not include frequent direct 17 contact with criminal suspects, did not involve 18 the frequent interrogation of witnesses and did 19 not require him to be on call 24 hours a day and 20 did not require him to maintain a certain level 21 of physical fitness.</p> <p>22 Now, in this decision, the judge</p>
35	<p>1 property? What are you stressing? And, 2 fourthly, patterns of work. Police are -- police 3 work is oriented toward maintaining law and 4 order, but guard work is oriented toward 5 protecting postal property.</p> <p>6 So the testimony's going to demonstrate 7 that all four of these factors weigh heavily in 8 the favor of a finding of guard status for the 9 Postal Police. The decision is short, clear, 10 concise. It's really well-written. Though it's 11 from 1986, it's not been modified, and it still 12 states the operative indicators in deciding 13 whether a position falls under the guard or the 14 police series.</p> <p>15 Finally, the third reason why PPOs are 16 properly classified as security guards is 17 basically MSPB decisions. And here I'm not going 18 to discuss all the MSPB decisions that look at 19 the Postal Police, but I want to highlight a 20 couple of the decisions that are more recent. 21 The -- these decisions -- why was this before the 22 MSPB, the Merit Systems Protection Board? It was</p>	37	<p>1 actually looked at six factors that had been set 2 forth in previous decisions, including a federal 3 circuit decision, and he found that out of the 4 six factors, five out of the six weighed strongly 5 in favor of not finding law enforcement officer 6 status. The sixth factor was whether or not you 7 carry a weapon, and, clearly, the Postal Police 8 officers are armed, so that factor went in favor 9 of law enforcement.</p> <p>10 Oops. The next case is Bowen versus 11 the Postal Service. It's a 2003 decision. It's 12 behind Exhibit A7. And that case was pretty much 13 along the same lines. The judge there found that 14 the PPO is not a LEO because the evidence does 15 not show the primary purpose of the PPO position 16 was investigation, apprehension or detention. 17 Rather, as set forth in the position description, 18 its purpose is to provide security of postal 19 employees and customers and protection of postal 20 property.</p> <p>21 And, you know, the way that we quoted 22 this here, it makes it look like the</p>

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38	40
<p>1 administrative judge only looked at the position 2 description, but, in fact, the AJ looked at much 3 more than that. The AJ also looked at, for 4 example, affidavits from the Postal Police 5 Officers supervisor, looked at an affidavit from 6 a human resources manager and took a very 7 detailed look, a very close look at the Postal 8 Police Officer Handbook, which is the 702 that we 9 discussed earlier.</p> <p>10 Therefore, though the Postal Police 11 officers play an -- perform an important 12 function -- we're not disputing that -- they are 13 not law enforcement officers. Rather, their 14 primary function is related to security 15 related -- and that security is related to postal 16 property and assets. Their function is not 17 directly related to the core mission of the 18 Postal Service. And so what is the core mission 19 of the Postal Service? That's what we're going 20 to be talking about next.</p> <p>21 Article I, Section 8, Clause 7 of the 22 Constitution, known as the Postal Clause,</p>	<p>1 job is related to security at postal facilities. 2 It is peripheral to the Postal Service's central 3 mission. They do not move, process or deliver 4 mail, unlike clerks, carriers and mail handlers.</p> <p>5 And the third bullet, I want to spend 6 some time talking about. The OIG, the Office of 7 the Inspector General, has actually recommended 8 that the Postal Police function be outsourced in 9 its entirety. And I went ahead and put a copy of 10 that OIG audit report behind Tab A9 of the 11 binders that you have in front of you, and pages 12 20 through 23 discuss the savings that would 13 result from a contracting out of the PPO 14 function.</p> <p>15 The testimony of Michael Billingsley, 16 who's a labor economist, is going to demonstrate 17 that about 80 percent of all PPOs will be 18 eligible for retirement about five years, and 19 this raises a question. What's the Postal 20 Service going to do to replace them? Is it going 21 to replace them with other PPOs, or is it going 22 to use contract security, maybe armed contract</p>
39	41
<p>1 empowers Congress to, quote, establish post 2 offices and post roads, and Congress did that. 3 And, in 1970, Congress passed the Postal 4 Reorganization Act, which took effect in 1971, 5 and that act restructured the Postal Service in 6 various ways, but maintained the Postal Service's 7 primary mission. And that primary mission is 8 reflected in Title 39, Section 101, which sets 9 forth the basic function of the Postal Service.</p> <p>10 "The Postal Service shall have as its 11 basic function the obligation to provide postal 12 services to bind the nation together through the 13 personal, educational, literary and business 14 correspondence of the people. It shall provide 15 prompt, reliable and efficient services to 16 patrons in all areas and shall render postal 17 services to all communities."</p> <p>18 The Postal Police, in the function that 19 they provide, is indirectly related to the Postal 20 Service's core mission, but it certainly is not 21 directly related to the Postal Service's core 22 mission. We talked about that. Their principal</p>	<p>1 security?</p> <p>2 The subcontracting provision of the 3 PPOA collective bargaining agreement is 4 extraordinarily broad. Arlus and I had an 5 arbitration a little while back about this, and 6 it only confirmed the breadth of the contract -- 7 the contracting provision of the Postal Police 8 collective bargaining agreement. It is among the 9 broadest, if not the broadest of all the 10 collective bargaining agreements.</p> <p>11 The Postal Service has the option to 12 hire armed contract security guards, but we've 13 opted not to do that. We've opted not to 14 outsource the Postal Police function at this 15 juncture. However, if this delicate balance -- 16 if this delicate balance between cost and 17 benefits is not maintained, the Postal Service 18 may have no choice but to outsource the Postal 19 Police function in its entirety.</p> <p>20 We will turn to the Postal Service's 21 proposals that will maintain that balance in a 22 moment, but, first, let's look at Fact 4. The</p>

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42	<p>1 Postal Polices's wages and benefits are higher 2 than private comparable compensation. We're 3 going to have three main witnesses on this 4 point -- Michael Billingsley, who I already said 5 is a postal labor economist, Joe Alexandrovich, 6 and Tom Pavlik, who's with Sullivan Cotter, and 7 he's our expert. They will all testify in 8 support of Fact No. 4, and they will demonstrate 9 that as to both wages and benefits, the Postal 10 Police enjoy a substantial wage premium over 11 those in the private sector in comparable 12 positions. 13 The PPOs' request for an upgrade, a 14 general wage increase that incorporates locality 15 pay, a restoration of COLA and an additional step 16 at the top of their pay scale -- schedule 17 is simply unsupportable. 18 Let's turn to the statutory mandate 19 applicable to the Postal Police. "It shall be 20 the policy of the Postal Service to maintain 21 compensation and benefits for all officers and 22 employees on a standard of comparability to the</p>	44	<p>1 multiple negotiations that have taken place since 2 the passage of the PRA and especially since the 3 first collective bargaining agreements between 4 the Postal Service and the Postal Police were 5 entered into in 1972, the Postal Police have 6 never argued that they should be compared to the 7 executive branch of the federal government. 8 Now, they have argued that they should 9 be compared to comparable public sector employees 10 more generally, and that argument's been made in 11 a number of forums, but it has been consistently 12 and decisively rejected. This is the same 13 argument in a different form, and this new 14 iteration of the argument is completely off base 15 and should be rejected here. Private sector 16 comparability has been the standard and it should 17 stay the standard and there's no reason to change 18 that. And we will have an attorney presentation 19 and one witness on this point during our -- the 20 presentation of our case. 21 You're going to see this chart later 22 on, but I wanted to just show it to you now</p>
43	<p>1 compensation and benefits paid for comparable 2 levels of work in the private sector of the 3 economy." That is the mandate set forth in 4 1003(a) of Title 39. 5 And similar language to this appears in 6 Section 101(c) of the Postal Reorganization Act. 7 Interest arbitration panels, since the adoption 8 of the PRA, Postal Reorganization Act, have found 9 that private sector comparability is the 10 statutory mandate. Joe Alexandrovich will review 11 these awards in his testimony, but for present 12 purposes, I'd like to just simply note that as to 13 the Postal Police specifically, the 1994 Foreman 14 fact-finding report, which is behind Exhibit 15 A10 -- that's the Foreman fact-finding report 16 behind Exhibit A10 -- and the 2008 Fishgold 17 award, Joint Exhibit 2, held that private sector 18 comparability was the proper standard to be 19 applied, and there was no doubt there. 20 Frankly, the Postal Service is bemused 21 by the Postal Police Officers' argument that 22 Section 1003(c) should apply here. In the</p>	45	<p>1 because I think it effectively summarizes the 2 labor costs associated with the average Postal 3 Police Officer. And if you'd just take a look 4 at -- the top part above the first yellow line 5 deals with just wages, just salary. The second 6 section deals with -- adds into that benefits, 7 and that total comes to -- this is for the 8 average PPO -- \$77,507. 9 Now, we went ahead and added in 10 additional labor costs that are associated with 11 an average PPO in the form of retiree health 12 benefits and overtime, and you see that the 13 average PPO makes \$7,450 in overtime. The total 14 labor cost associated with an average PPO is 15 \$90,334. And this is simply a lot more than the 16 Postal Police's private sector counterparts make. 17 As to compensation -- as to wages, the 18 Postal Service will be demonstrating a 19 significant wage premium, and we're going to 20 demonstrate that through a number of sources, and 21 those sources will include OES or Occupational 22 Employment Statistics, NCS data, National</p>

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46	<p>1 Compensation Survey data, Department of Labor 2 wage determinations, and Mr. Alexandrovich will 3 be providing a lot more detail about this. And 4 then, finally, we're going to demonstrate it 5 through expert testimony. 6 As to benefits, Michael Billingsley is 7 going to testify as to the sizable benefits 8 premium that's been recognized not only in 9 previous interest arbitration awards, but it's 10 also going to be demonstrated through his 11 testimony. 12 The -- the Postal Police, in their 13 brief, one of their main themes is that a lot's 14 changed, a lot's changed since 9/11, a lot's 15 changed since the anthrax attacks and their 16 duties have correspondingly also changed, that -- 17 that they have more mobile post duties now, more 18 responsibility now, generally speaking. Now, 19 we're going to have testimony from Keith Milke as 20 well as Dave Bowers, as I've already mentioned, 21 and they're going to disprove this claim. 22 But it's also important to note that</p>	48	<p>1 Postal Service to utilize unarmed security by 2 contract to stand at many such posts. As a 3 result, PPOs now spend a larger percentage of 4 their time on mobile patrols, either around a 5 postal facility, usually by foot, or driving 6 postal vehicles to check on post offices as well 7 as responding to alarms and other instances as 8 they arise. PPOs engage in escort duties related 9 to high-value mail items and related bank 10 transactions by postal personnel and the Union 11 presented testimony regarding PPOs responding to 12 incidences involving theft of mail and threats 13 against letter carriers on their routes. The 14 chairman recognizes that these changes have 15 impacted on the scope of duties performed by 16 PPOs, and, accordingly, these changes have 17 impacted both the economic and non-economic 18 portions of this award." 19 Also, on page 10, the arbitrator notes, 20 "The chairman's award reflects a number of 21 factors, including recognition of the change in 22 PPO duties from 2003."</p>
47	<p>1 the Postal Police made this same exact argument 2 before Fishgold in 2007. And the award 3 summarizes -- the award expressly explicitly 4 summarizes that argument that was made in 2007 5 and a lot of it is going to sound familiar. So 6 if you turn to joint exhibit -- Joint Exhibit 2, 7 and, specifically, if you turn to page 4, you'll 8 see a section that's entitled "Law Enforcement 9 Officer Status and Safety Issues." Now, he 10 decided not to decide the law enforcement status 11 issue, by the way, but he did talk about the 12 evidence that was presented about these evolving 13 duties. 14 And if you look at the last paragraph 15 on that page and you go down five lines, he says, 16 "Of particular significance to the chairman, both 17 sides presented evidence that the balance of PPO 18 work assignments has shifted since the 2003 19 agreement became effective. While PPOs once 20 spent a significant percentage of their time at 21 fixed posts guarding entrances to postal 22 facilities, changes in technology have led the</p>	49	<p>1 The award continues on page -- pages 11 2 through 12, and I have a copy of my presentation 3 to give to everyone. But the panel's award also 4 does provide additional compensation in certain 5 years in recognition of the changes in the 6 balance of duties performed by PPOs away from 7 stationary posts toward mobile patrols and other 8 duties, as noted earlier in the award. So this 9 award was entered in 2008, and it covers all of 10 the changes to PPO duties up to 2007. 11 Importantly, since the 2008 award 12 compensated the PPOs for these changes, it 13 appears that the PPOs are asking for a windfall, 14 to be compensated twice for the same changes. 15 Thus, the upgrade the PPOs seek has already been 16 received. 17 The only change that the Postal Police 18 Officers identify in their brief that has taken 19 place since 2007 relates to the active shooter 20 program. But the testimony's going to 21 demonstrate that, in fact, little to nothing has 22 changed in this regard either. Where PPOs are</p>

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50	<p>1 deployed, they have always been required to 2 respond to an active shooter. So the bottom line 3 is that the PPOA duties have not changed 4 significantly the 2008 Fishgold award and 5 certainly not significant enough to justify a pay 6 increase in light of the other contracts and 7 agreements to date.</p> <p>8 So to summarize Fact No. 4, the Postal 9 Police enjoy a significant wage premium. They 10 enjoy a significant benefits premium. Their 11 request for more compensation is unjustified and 12 unsupportable. It's -- they're already paid more 13 than their private sector counterparts, the 14 evidence will show, and they already have been 15 compensated for changes to their duties.</p> <p>16 Given the financial crisis and the 17 generous compensation that's already given to the 18 Postal Police, their request that they be 19 exempted from the shared sacrifice of others 20 because their bargaining unit is smaller is 21 anything but reasonable. Given -- given the 22 relative size of the Postal Service, this</p>	52
51	<p>1 argument, if taken to its logical conclusion, 2 would preclude almost all of the smaller 3 initiatives the Postal Service has implemented, 4 which, all told, have saved the Postal Service 5 billions of dollars. And let's face it. To most 6 other organizations, a 500-member bargaining unit 7 is anything but small. If the Postal Service is 8 to survive, everyone has to contribute, 9 bargaining unit employees, non-bargaining unit 10 employees, including the Postal Police, and they 11 should not be exempted.</p> <p>12 So what are the postal procedures -- 13 proposals for the Postal -- the Postal Police? 14 In our Appendix C, which is Postal Service 15 Exhibit A2, we go into detail about our 16 proposals, and Joe Alexandrovich will, again, go 17 into these in greater detail. But the Postal 18 Service's proposals, as I've already mentioned, 19 for the Postal Police are even less burdensome 20 than those sought from the other major unions. 21 For example -- okay -- there's no non-career 22 component, and the two-tier workforce proposal,</p>	53

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54	<p>1 To summarize the entire presentation,</p> <p>2 the Postal Service is in the midst of a financial</p> <p>3 crisis that must be addressed. The APWU, Rural</p> <p>4 Letter Carriers, Mail Handlers and city letter</p> <p>5 carrier contracts recognized this financial</p> <p>6 crisis and restructured and reduced labor costs</p> <p>7 accordingly. The Postal Police do not directly</p> <p>8 contribute to the core mission of the Postal</p> <p>9 Service. Their compensation and benefits exceed</p> <p>10 that of their private sector counterparts. And,</p> <p>11 finally, the Postal Service's reasonable</p> <p>12 proposals for an award should be applied to the</p> <p>13 Postal Police Officers.</p> <p>14 We thank you for your attention, and</p> <p>15 that concludes the opening statement, unless you</p> <p>16 have some questions.</p> <p>17 ARBITRATOR OLDHAM: Very clearly done.</p> <p>18 Thank you very much. I think let's take a</p> <p>19 five-minute break at this time.</p> <p>20 (Brief recess.)</p> <p>21 ARBITRATOR OLDHAM: All right. We will</p> <p>22 turn to the Union's side of the table, then,</p>	56	<p>1 Washington, and at the end is Shawn Fletcher, the</p> <p>2 Union's central area representative, who works as</p> <p>3 a police officer in Chicago.</p> <p>4 We appreciate the opportunity to take</p> <p>5 this time to discuss with the panel the issues in</p> <p>6 this case and why the Union believes its</p> <p>7 proposals are sound and why the post office's are</p> <p>8 not. Like some other government agencies, the</p> <p>9 post office maintains its own uniformed police</p> <p>10 force. Historically, Postal Police Officers</p> <p>11 largely basically performed basic armed security</p> <p>12 functions and were compensated at a level higher</p> <p>13 than other postal employees and on par with other</p> <p>14 federal uniformed police.</p> <p>15 Since 9/11, the post office has</p> <p>16 transformed the Postal Police Officer position.</p> <p>17 It's reduced the number of officers, but</p> <p>18 significantly increased their responsibilities.</p> <p>19 Postal Police Officers now perform almost no</p> <p>20 basic security work. The post office has hired</p> <p>21 private security firms to do that work. The post</p> <p>22 office reduced the national roster of Postal</p>
55	<p>1 whenever you're ready.</p> <p>2 MR. STEPHENS: Okay. Good morning,</p> <p>3 everyone.</p> <p>4 MS. GONSALVES: Good morning.</p> <p>5 MR. STEPHENS: My name is Arlus</p> <p>6 Stephens, and I have the privilege of</p> <p>7 representing the Postal Police Officers</p> <p>8 Association, which is the collective bargaining</p> <p>9 representative of police officers working for the</p> <p>10 U.S. Postal Inspection Service.</p> <p>11 Working with me during the hearing will</p> <p>12 be my colleague, Donna McKinnon. Also assisting</p> <p>13 during the hearing will be some of the Union's</p> <p>14 officers. The Union's president, Chris Vitolo,</p> <p>15 who works as a police officer in Cleveland is to</p> <p>16 my right, and then behind me going down the line</p> <p>17 are the Union's secretary/treasurer, Eric</p> <p>18 Freeman, who's a police officer in Washington,</p> <p>19 Josh Pierce, who is the Union's southern area</p> <p>20 representative, who's a police officer in</p> <p>21 Memphis, Mike Plaughter, who's the Union's eastern</p> <p>22 area representative and a police officer in</p>	57	<p>1 Police Officers by hundreds and reduced the</p> <p>2 number of locations where they're assigned, but</p> <p>3 the remaining officers have undergone more</p> <p>4 training and perform work very different than</p> <p>5 what they performed before 9/11.</p> <p>6 As mentioned in our brief, prior to</p> <p>7 9/11, Postal Police Officers would not be trained</p> <p>8 or expected to respond to an active shooter</p> <p>9 situation like the recent incident at the Navy</p> <p>10 Yard here in Washington. Today, however, they</p> <p>11 have undergone that training, just in the last 12</p> <p>12 months, and there's no question that the post</p> <p>13 office would expect Postal Police Officers to</p> <p>14 respond and that they would respond and that</p> <p>15 their objective would be to neutralize the</p> <p>16 shooter.</p> <p>17 As the responsibilities have</p> <p>18 significantly changed since 9/11, as our brief</p> <p>19 argued, so too has the comparable level of pay.</p> <p>20 They have gone in opposite directions. So while</p> <p>21 their job responsibilities have significantly</p> <p>22 increased, their pay has ironically decreased</p>

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58	<p>1 relative to other police officers in the 2 economy -- in the economy, both in the federal 3 sector and in the private sector, and it has also 4 significantly decreased relative to other postal 5 employees, meaning that the post office today now 6 pays some of its custodial employees a higher 7 salary than it pays to its uniformed police. 8 The post office has been in denial of 9 this pay discrepancy for several years and is -- 10 and, yet, has also been in denial of what its 11 police force does. It argues today that they are 12 still security guards, which is what it argued in 13 2008 and has argued for the last 20 years. And 14 although it acknowledges Arbitrator Fishgold's 15 decision, it still is not registered on what -- 16 what the facts actually are. But we'll have lots 17 of officers testify, and the panel can question 18 them about what it is they actually do every day. 19 The 2000 arbitration decision was not 20 successful in what it was intended to do. The 21 years since reveal that the hopes of Arbitrator 22 Fishgold that continued ECI minus one would</p>	60	<p>1 was an -- it was an implication in the opening 2 statement that the Union had acted irresponsibly 3 in bargaining, and I just don't want that to go 4 unmentioned that that was never an offer, not 5 that it would, I believe, solve this case, but it 6 was never offered in bargaining. It was never -- 7 the proposal changed from the post office when 8 the e-mail -- they e-mailed their brief to me in 9 December. That is when I first learned of a 10 change in bargaining position by the post office. 11 On to the main of the -- the argument, 12 the post office's financial condition. The post 13 office's principal argument in this case seems to 14 be its current financial condition. Relatively, 15 less of its argument concerns whether it's 16 properly compensating its police officers for 17 what they actually do on a daily basis. 18 Everyone recognizes that people don't 19 write letters like they used to and that first 20 class mail volumes are down. The post office, 21 just as much as anyone else, uses e-mail, but the 22 post office is still in business and it employs a</p>
59	<p>1 actually somehow improve the position of police 2 officers has not come to pass, and its police 3 officers have slid even further behind every 4 possible comparable, both inside the post office 5 and outside the post office. In this round of 6 bargaining, the Union again has sought to address 7 this still widening gap between increased job 8 responsibilities and decreased levels of pay. 9 We will note that an odd thing about 10 this case is that the proposal that management 11 has come to this panel with is different than any 12 proposal it ever made during bargaining. During 13 bargaining, the post office's initial position on 14 economics was that every police officer would 15 have to take a 5 percent wage cut and then there 16 would be a two-tier after that. 17 It's not -- you have to read the post 18 office's briefs in this case very carefully to 19 note in a footnote where they admit that they 20 have now revised their proposals and now they 21 want the panel to award the pattern from these 22 other crafts. I just want that to be noted. It</p>	61	<p>1 core of police officers and has given them ever 2 increasing responsibilities. 3 We will not be preparing a 4 counterpresentation on financial status, nor will 5 we be preparing evidence on the huge amount of 6 management waste, excess and inefficiency that 7 postal employees see every day. Some recent news 8 articles involving questionable expenditures in 9 the million-dollar range have seen The Washington 10 Post, and I can't resist mentioning the name of a 11 futurist named Faith Popcorn, who's being paid 12 one-and-a-half million dollars to predict the 13 future of stamps. 14 While the post office's presentation 15 would have you believe that it operates like an 16 efficient machine and that were it -- were it not 17 for the irresponsible pay given to its employees 18 it would be running in the black, I -- we do not 19 believe that could be further from the truth. 20 The Union also disputes the relevance 21 of the post office's financial presentation to 22 the case. The facts regarding its financial</p>

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62	<p>1 status are legally irrelevant. We're not aware 2 of anything in the law governing this interest 3 arbitration that specifies that the post office's 4 financial condition is a factor affecting the 5 terms and conditions of employment for its police 6 officers. The governing statute mentions nothing 7 about the post office's financial status. There 8 is a bill pending in the Congress that would 9 require its financial status to be considered in 10 these proceedings, but it is a bill. It is not 11 law. Accordingly, it's not relevant. 12 The post office's overall financial 13 status is also factually irrelevant. At issue 14 here is the pay, benefits and working conditions 15 of the uniformed police force, 465 employees. To 16 put that in percentages, it is less than 17 .1 percent of the post office's workforce, 18 0.09 percent. It is, therefore -- represents a 19 minuscule portion of the post office's budget. 20 The post office's bargaining proposals to cut 21 their pay by 5 percent and reduce their health 22 insurance benefits would have zero effect on</p>	64	<p>1 proposal had not moved an inch. The terms that 2 the post office has proposed to be submitted are 3 unacceptable and that is what has led us to ask 4 for the panel's assistance in reaching a new -- 5 new agreement. 6 I should talk a little bit about the 7 position of Postal Police Officer. Postal Police 8 Officers have been -- it's an evolving position 9 in the post office. Prior to 1971, security was 10 handled on an ad hoc basis by employees called 11 watchmen, and they were overseen by the local 12 postmaster. If a law enforcement officer was 13 needed, one would call the assigned postal 14 inspector or the local municipal police. 15 That changed 1971. The Postal Service 16 created what it called the Postal Security Force, 17 which were uniformed officers who were tasked 18 with basically providing armed security at postal 19 buildings. And they were not to be managed 20 locally, but they were managed centrally by the 21 Postal Inspection Service. 22 The traditional law enforcement figure</p>
63	<p>1 fixing what ails the post office. Likewise, the 2 Union's request for proper pay and benefits will 3 also have zero impact on the post office's bottom 4 line. 5 The post office -- you will hear 6 evidence -- the post office has treated its 7 police officers poorly in terms of pay for over a 8 decade. The police have already contributed 9 involuntarily to helping the post office's bottom 10 line by being severely underpaid for at least ten 11 years, as compared to other postal employees and 12 other police officers in the economy. They have 13 done their part. They have given at the office. 14 They now deserve to be properly compensated. 15 Again, it is regrettable that no 16 serious offer was made to the police during 17 bargaining. The post office seemed not to want 18 to do anything with the police that it had not 19 done with the other big postal unions, perhaps 20 fearing it would impact bargaining with those 21 other unions at some later date. 22 By the end of bargaining, its financial</p>	65	<p>1 at the post office is the postal inspector, which 2 is a position that traces its lineage in one form 3 or another back many years. In its current form, 4 the postal inspector is a white collar federal 5 law enforcement official. Pay and benefits for 6 inspectors are on par with FBI special agents and 7 Pentagon criminal investigators, and they earn 8 roughly twice what Postal Police Officers make. 9 Over the years, the post office has 10 given ever increasing training and responsibility 11 to its security force, which it renamed the 12 Postal Police force over 30 years ago. Thus, the 13 post office began sending its officers to formal 14 police academy training at the Federal Law 15 Enforcement Training Center in Georgia, often 16 referred to as FLETC. There, they trained 17 alongside uniformed police officers from other 18 federal agencies, like the uniformed police 19 forces employed by the FBI and by the Pentagon. 20 The post office likewise required them 21 to wear formal dress police uniforms and to drive 22 vehicles marked as police cars. The post office</p>

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66	<p>1 also held them to higher standards of employee 2 conduct and subjected -- and subjected them to 3 regular drug tests. And as of the 1990s, the 4 post office paid Postal Police Officers a salary 5 premium over other postal employees, although it 6 still assigned them relatively limited duties. 7 We'll talk about the transformation of 8 the position. Notwithstanding that its police 9 officers were now trained as police, dressed as 10 police and called police, the post office 11 decided -- initially decided to have them perform 12 relatively limited functions. Their principal 13 function remained what it had been when they were 14 called security guards, which is to provide 15 security for postal facility buildings from fixed 16 posts. To a limited extent, they guarded high 17 value postal remittances and conducted mobile 18 patrols, but typically only in and around the 19 postal facilities to which they were assigned. 20 As of the late '90s, the Postal 21 Inspection Service insisted that its police 22 officers were not trained to conduct real patrols</p>	68	<p>1 duties. The post office had its own separate act 2 of terrorism in the form of the anthrax attacks 3 in Washington, which killed two post office 4 employees at the Brentwood sorting facility. 5 After these events, the post office -- 6 and this is around the 2002 range -- the post 7 office lost many police officers to other federal 8 agencies, which began to pay higher salaries than 9 the post office paid. Whereas the post office 10 used to pay competitive salaries, that pay began 11 to fall behind other federal agencies. 12 At the same time, like other agencies 13 in the wake of 9/11, the post office decided to 14 transform the PPO position, adding more training, 15 more traditional policing duties and largely 16 removing the fixed post security function 17 altogether. The transformation was undertaken as 18 a result of a formal policy-making process here 19 at the post office, the process beginning in 20 2002, in part to stem the attrition which was 21 happening. The result of the process was 22 announced to local postmasters beginning in late</p>
67	<p>1 and stated that their real function was to guard 2 the buildings. And we'll have memos, paperwork 3 to show on this. Two things occurred which 4 resulted in the post office transforming the 5 policing function, and by using the word 6 "transform," I am using the post office's own 7 terminology of how it changed their roles. 8 One thing was the decision to hire 9 contract security guards in large numbers. The 10 post office entered a contract with a company 11 called ABM, which supplied guards to take over 12 its fixed post assignments which had been a 13 central duty of PPOs, and you may have run into 14 one today. As a result of its contracting out, 15 the post office eliminated police officers from 16 many facilities and shrunk its roster of PPOs by 17 several hundred beginning the 1990s. 18 The second thing occurred shortly 19 thereafter, which were the terror attacks of 20 9/11. Every federal agency that had a police 21 force began to change how it used its police in 22 the wake of 9/11, requiring new training and new</p>	69	<p>1 2003 and was gradually implemented thereafter. 2 Now, here I've handed everyone a -- 3 my -- my -- I mentioned a 20th century visual 4 presentation, which are photographs of police 5 officers, and this is -- with one exception, this 6 is -- this is your Postal Police force today. 7 The one exception is an older photograph of 8 Arbitrator Bjork, and that's the one right there. 9 But this is just to give you a visual idea of 10 what the -- the officers we're talking about look 11 like and what they wear. 12 Today, Postal Police Officers are quite 13 different than the security force personnel whom 14 the post office hired 40 years ago. Now, this is 15 an important point. One would not know that from 16 the post office's job description for Postal 17 Police Officer, which has not changed an inch 18 since 1990. It could be older than that. The 19 oldest job description we could find was 1990, 20 but it has not changed a single word that we can 21 find has changed since 1990. 22 And it bears remembering that this is</p>

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70	<p>1 the -- when the Office of the Inspector General 2 is inquiring and making recommendations to 3 contract out the police force, that's the type of 4 thing they look at. They look at what the job 5 description is for Postal Police Officer, which 6 is now -- 1990 is 24 years.</p> <p>7 ARBITRATOR OLDHAM: Quick thinking. 8 MR. STEPHENS: Quick thinking. It's 9 amazing how many years that is.</p> <p>10 First of all, few PPOs sit at fixed 11 posts anymore. That day is long gone. PPOs 12 today are trained in CPR, AED and bloodborne 13 pathogens, how to handle them. They're called on 14 to perform first aid as first responders. The 15 post office had to recently make available to its 16 police officers the hepatitis vaccine because of 17 the risk of exposure.</p> <p>18 PPOs are trained and do respond as 19 first on the scene at crime scenes, including 20 homicides. They take witness statements, 21 document the crime scenes, interview witnesses, 22 collect and preserve evidence, and they're</p>	72
71	<p>1 trained to perform all of that. They're trained 2 and do perform criminal background research on 3 individuals and vehicles. They investigate 4 burglary alarms at metropolitan police stations. 5 They're trained to and do effect investigative 6 Terry stops of individuals and vehicles. PPOs 7 write federal citations, and they testify in 8 court in support of those citations. They make 9 arrests of individuals, handcuffing them and 10 reading them their Miranda rights. They hold and 11 transport prisoners.</p> <p>12 They routinely drive mobile patrols 13 between postal facilities, engaging in what is 14 called community policing and visiting local 15 postal facilities and crime areas and conduct 16 street patrols, increasing visibility for the 17 benefit of postal employees. The idea behind 18 community policing is to deter future crimes by 19 creating a police presence and also to help 20 create liaisons with other law enforcement 21 bodies, the jurisdiction of the Postal Police 22 being somewhat unique. It's not altogether</p>	73

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<p style="text-align: right;">74</p> <p>1 contribute to the post office's mission, but do 2 contribute to its cost. That is a strange thing 3 to say. The Union submits that PPOs contribute 4 significantly to the postal mission to protect 5 and recover mail, to protect postal workers and 6 assigned to most high crime areas, because crime 7 prevents carrying out the post office's mission. 8 PPOs help insure that mail is delivered as much 9 as a carrier, a clerk or a mail handler. 10 For many years in bargaining, the post 11 office insisted its police officers were not 12 police officers, and I see, in 2014, that has not 13 changed. The purpose is to enhance the post 14 office's bargaining position to reduce the level 15 of the comparable to which a PPO is compared. 16 The argument -- the factual argument at this 17 point is just ridiculous. The police officers 18 working for the post office are indistinguishable 19 from most other police officers and particularly 20 to most uniformed federal police officers, and I 21 mentioned two examples, the FBI Police and the 22 Pentagon Police.</p>	<p style="text-align: right;">76</p> <p>1 opening statement to make another point about 2 that. The facts regarding the decisions to which 3 the post office has made reference are from the 4 '90s, '80s or '90s. I mean, they're factually -- 5 again, we have plenty of evidence of the 6 transformation that's occurred. I wasn't 7 involved in any of those cases. I don't know 8 what happened, but it's -- we would argue is 9 not -- actually has little bearing on what we're 10 facing here today. 11 Another federal statute -- and I 12 believe we made reference to this in our brief -- 13 that makes plain that Postal Police Officers are 14 law enforcement officers is the Law Enforcement 15 Officer Safety Act, which provides a definition 16 of law enforcement officers that PPOs satisfy. 17 As a result of this, PPOs are authorized to carry 18 personal firearms in any state in the Union 19 regardless of any state law to the contrary, and 20 the post office readily agrees that we are 21 covered by this and has issued credentials which 22 we'll -- we can show to anyone to show that we're</p>
<p style="text-align: right;">75</p> <p>1 The post office would have you believe 2 that being a uniformed police officer means a 3 daily existence like the television shows Hill 4 Street Blues, T.J. Hooker -- and I know I'm 5 showing my age with that one -- and NYPD Blue. 6 That is fantasy. Real police work is not that 7 glamorous and is actually frequently monotonous. 8 The post office's argument in its 9 opening brief that PPOs do not qualify as, quote, 10 law enforcement officers was for purposes of a 11 particular federal statute, which provides for 12 20-year retirement for certain law enforcement 13 officers, including postal inspectors. But lots 14 of federal uniformed police officers do not 15 receive 20-year retirement under that statute and 16 thus do not qualify as, quote, law enforcement 17 officers under that statute. That statute tends 18 to benefit white collar law enforcement quite a 19 bit better than their blue collar counterparts, 20 and it has zero bearing on whether PPOs are 21 police officers. 22 And I will take a step out of my</p>	<p style="text-align: right;">77</p> <p>1 authorized to carry these firearms. The 2 definition is contained in the brief. It's 18 3 U.S.C. 926B. It's a six-part test and the PPOs 4 satisfy it, as the Inspection Service will 5 readily agree. 6 Because PPOs are trained as police, 7 dressed as police, drive police cars, are called 8 police, carry police badges, act like police, we 9 submit it is safe to say, safe for this panel to 10 conclude, that they are police. Indeed, the 11 National Law Enforcement Officers Memorial here 12 in Washington bears the name of Postal Police 13 Officer Michael Healy, who was shot and killed 14 during an attempted robbery at the main post 15 office in Chicago. 16 The post office does not hesitate to 17 play the police card when it suits its purposes. 18 For example, an officer who engages in any 19 misconduct, even off duty, is held to the 20 standard of conduct of a police officer. This 21 now -- and -- in the post-transformation age with 22 increasing responsibilities and decreasing pay</p>

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78	<p>1 leads to sometimes comical results. 2 In one recent case, an arbitrator 3 concluded that the police officer had committed 4 conduct unbecoming a police officer and thus 5 upheld his removal as a Postal Police Officer. 6 The conduct was off duty and involved shaking an 7 infant. However, the arbitrator concluded that 8 the individual had not committed an offense that 9 warranted his complete discharge from the post 10 office, so he was ordered reinstated as a letter 11 carrier. As a result, he received a substantial 12 raise, because letter carriers make more than 13 PPOs, and we'll have evidence about that -- that 14 case. 15 The post office had received the 16 benefits of the increased duties given to PPOs 17 for 12 years, but when it comes to negotiating 18 pay, the post office plays the security guard 19 card so they can continue to grossly underpay 20 them. The lack of acknowledgment by the post 21 office to what its officers do leads to low 22 morale, as they are not recognized for the</p>	80
79	<p>1 contributions that allow the post office to 2 function every day. 3 And we'll turn to my -- the 4 comparability points. As our brief mentioned, we 5 take the position that the post -- the Postal 6 Police are properly compared to uniformed police 7 officers working for other federal agencies, and 8 the examples I've given are the FBI's uniformed 9 police and the Pentagon -- uniformed Pentagon 10 Police. And this is authorized by the governing 11 statute, 39 U.S.C. 1003C. That section provides 12 that anyone with any investigative duties under 13 18 U.S.C. 3061 shall be compared for the purposes 14 of pay and benefits with employees at other 15 executive branch agencies with similar duties. 16 Postal Police do have some 17 investigative authority under 18 U.S.C. 3061C. 18 That statute authorizes PPOs to have certain 19 investigative authority to the extent the post 20 office allows by regulation. And as we have 21 pointed out in our brief, the regulatory 22 authorization are found in the handbooks which</p>	81

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82	<p>1 police officer are not frequently found in the 2 private sector, the policing function being 3 inherently a governmental function. The post 4 office, nevertheless, argues that the private 5 sector should -- should provide the measure of a 6 police -- Postal Police Officer's pay. So we 7 have searched for private-sector analogues, and 8 we will present evidence to you about those which 9 we have found. Once again, we believe the panel 10 will see that Postal Police Officers are paid 11 less than those private sector comparables.</p> <p>12 As the arbitration panel knows, the 13 federal government has a number of laws that 14 provide federal minimum wages. There is, of 15 course, the general minimum wage that applies to 16 all private sector employers. There are also 17 federal minimum wages that the federal government 18 decrees must be paid by private sector businesses 19 that contract with the federal government. One 20 of those minimum wages is found in the Service 21 Contract Act, which sets the rock bottom wage 22 floor for private sector contractors. The</p>	84
83	<p>1 Service Contract Act contains pay minimums for 2 police officers, and you will hear evidence that 3 the post office pays its police officers less 4 than that minimum wage.</p> <p>5 After hearing the evidence, we believe 6 the panel will conclude that the Union's economic 7 proposals are actually quite modest. The Union 8 has not sought to make up in one -- in one round 9 of bargaining the difference between it and the 10 rest of the police officers in the economy and is 11 not asking the panel to order that in this one 12 case.</p> <p>13 As I alluded to before, the -- in 14 addition to arguing that it is broke, the post 15 office's new argument made for this case is that 16 we should follow the -- the other postal 17 employees. Now, the post office argues that the 18 panel should treat its police just as its other 19 employees, that you should compare the police 20 with them and treat them all alike, and it has 21 asked the panel to take note of the recent APWU 22 CBA and the later arbitration decisions.</p>	85
82	<p>1 And the Union -- Union agrees -- agrees 2 that internal comparability is a fair 3 consideration, but when you compare the crafts, 4 it's plain that Postal Police Officers have been 5 significantly underpaid for 15 years.</p> <p>6 I think it is fair to say that the post 7 office should pay its uniformed trained police 8 force a higher salary than it pays to its 9 custodians. That is not to say that custodians 10 do not work hard and that they do not deserve 11 fair wages, but if there's an active shooter 12 loose in this building, every postal employee 13 will be hiding under their desks and hiding in 14 closets and properly so, except for the Postal 15 Police, who are trained and tested in firearms 16 and are now recently trained in handling an 17 active shooter situation. The Postal Police 18 would be advancing on the active shooter with the 19 purpose of neutralizing him and stopping the 20 gunfire.</p> <p>21 To explain the absurd situation where 22 the post office pays its police officers less</p>	85
83	<p>1 than janitors requires a bit of a history lesson. 2 Through the 1970s and 1980s, the post office took 3 the position in bargaining with its big unions 4 that their members were paid more than their 5 private sector equivalents. There have always 6 been arguments about what are the private 7 sector equivalents, and that's the grist of the 8 interest arbitration between the post office and 9 the Letter Carriers, for example. But that's 10 another issue.</p> <p>11 The post office pushed a concept 12 referred to as moderate restraint to rectify what 13 it believed to be this postal premium. And under 14 moderate restraint, postal employees would 15 continue to receive annual pay increases, but 16 those increases would be less than the increases 17 that workers were generally receiving in the 18 overall economy. The thought behind this was 19 that the alleged postal premium for pay would -- 20 would fade away, but they would do so gradually.</p> <p>21 The post office's tool for implementing 22 this moderate restraint would be the elimination</p>	85

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86	<p>1 of bargained-for pay increases and the 2 elimination of annual cost of living adjustments, 3 and in place of both of them, a yearly increase 4 based on the economic (sic) cost index minus one 5 percent. The Employment Cost Index measures the 6 change in the price of labor for employers in the 7 overall economy defined as compensation per 8 employee hour worked.</p> <p>9 Now, the post office wanted all the 10 unions to go with this, ECI minus one, to do away 11 with periodic raises and COLAs and to go to this 12 formula. And it started with the Postal Police, 13 which had a newly-certified union in 1994 that, 14 quite frankly, did not know what they were doing. 15 In 1994, it persuaded the Union to go with this 16 ECI minus one percent formula. The Union was 17 informed that every other postal union was going 18 to follow suit, that they were the trendsetters 19 and that it was a better deal than any other 20 alternative. The Postal Police agreed and the 21 rest is history.</p> <p>22 No other postal Union ever agreed to</p>	88	<p>1 carriers. Thus, carriers who became PPOs in the 2 1990s, at a time when they actually exercised 3 relatively few police duties, received a 4 substantial raise by becoming a police officer, 5 and that raise was warranted because they were 6 subjected to higher levels of training and 7 responsibility, higher standards of conduct and 8 were subject to greater hazards. But, now, 9 Postal Police no longer received a wage premium, 10 despite the higher standards, despite the level 11 of training and responsibility. Instead, they 12 now earn thousands less than carriers. And what 13 makes this all truly ironic is that the 14 transformation -- post office's own term -- of 15 the position of Postal Police Officer occurred 16 during this same time period.</p> <p>17 So as we've argued in our brief, just 18 as their duties and responsibilities 19 significantly increased, their pay substantially 20 decreased relative to other police officers and 21 relative to other postal employees. Accordingly, 22 the Union agrees with management that internal</p>
87	<p>1 this and none ever will. One other small union, 2 the Postal Nurses, agreed to move to straight 3 ECI, not ECI minus one percent, but we understand 4 that move only lasted for a few contract cycles, 5 and they are now back with the other unions to 6 periodic raises and COLAs. The other unions 7 could see with the benefit of hindsight that ECI 8 minus one percent was an economic disaster.</p> <p>9 For example, employee wages and 10 benefits in the overall economy have fallen 11 relatively speaking over the last 20 years. One 12 sees it in the newspapers, talk of the income 13 gap, a shrinking middle class, people working 14 multiple jobs to get by. Well, those numbers, 15 those -- those diminished salaries and benefits 16 are what make up the Employment Cost Index. So 17 the Postal Police, for 20 years, have been yoked 18 to that number minus 1 percent, so the Postal 19 Police have been paying for that mistake ever 20 since.</p> <p>21 In the mid-1990s, Postal Police 22 Officers earned 3- or \$4,000 more than equivalent</p>	89	<p>1 comparability is appropriate, but it is no answer 2 to say in 2014 that Postal Police Officers should 3 be subject to the same terms that the APWU 4 negotiated 2010, because they're not starting 5 from the same baseline.</p> <p>6 Police officers' pay has fallen 7 dramatically relative to other postal employees 8 over the past 12 years. Other postal employees 9 received periodic raises and CPI-based COLAs 10 during those years while the Postal Police were 11 tied to ECI minus 1 percent, leaving them very 12 limited wage improvements. So, accordingly, the 13 Postal Service's revised offer made just for 14 purposes of this proceeding that PPOs be treated 15 just like other postal employees is fundamentally 16 unfair and unrealistic, despite its superficial 17 veneer of fairness.</p> <p>18 Turning to the proposal, the issue in 19 this case is principally economic, largely due to 20 the introduction of ECI minus 1 percent in 1994 21 to replace the periodic wage increases and COLAs 22 that all other postal employees received. Pay</p>

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<p style="text-align: right;">90</p> <p>1 for the Postal Police has fallen unacceptably 2 compared to anyone else, executive branch, 3 uniformed police, private sector police and other 4 postal employees. And it keeps getting worse as 5 each additional year passes, because ECI minus 6 one percent, which is what we're tied to now, is 7 a recipe for continued slipping behind. 8 Indeed, that is precisely what the post 9 office designed ECI minus one percent to do, to 10 result in the gradual slipping of wages behind 11 other employees. Thus, the Union respectfully 12 asks this panel to do what the collective 13 bargaining process failed to accomplish, which is 14 to begin to address this glaring inequity. 15 The Union attempted to raise this issue 16 in earnest in 2008. Bargaining failed and the 17 parties went to arbitration. Unfortunately, 18 Arbitrator Fishgold's 2008 decision did not 19 correct the pay problem. The two small pay 20 raises he ordered were too small to remedy the 21 pay disparity, particularly when other police 22 officers in the economy received the same or</p>	<p style="text-align: right;">92</p> <p>1 position is quite a bit more dramatic than the 2 transformation of the carrier position that 3 Arbitrator Fleischli had to address in 1999. 4 We're also asking for an additional 5 step to the pay scale to address the pay 6 stagnation for senior officers and to compress 7 some intervening steps -- intermediate steps to 8 aid movement and, of course, a replacement of the 9 current ECI minus 1 percent formula for future 10 wage increases, replacing that with annual 11 percentage wage increases, which we've identified 12 in our brief, along with the return of the cost 13 of living adjustments that every other postal 14 employee has. In all other material respects, 15 the Union requests the current terms and 16 conditions to remain the same. 17 The Union believes its requests are 18 fully warranted and reasonable considering the 19 extent of the wage disparity between the Postal 20 Police and similar employees in the executive 21 branch, similar employees in the private sector, 22 to the extent it's possible to compare them, and</p>
<p style="text-align: right;">91</p> <p>1 larger pay increases at the same time. Moreover, 2 because the police remain tied to ECI minus 3 1 percent for all other increases, the officers 4 have fallen even further behind other postal 5 employees who again receive percentage wage 6 increases plus COLAs. 7 In the current round of bargaining 8 beginning in 2012, the Union has requested a 9 combination of changes to officer pay intended to 10 prospectively put officers on reasonable economic 11 footing. Again, this is a first step in what 12 will have to be a multistep process over 13 succeeding rounds of bargaining. 14 The first is a one-time pay -- pay 15 grade increase on account of transformed job 16 duties, which is fully justified on a 17 comparability analysis or based on the 1999 18 decision by Arbitrator Fleischli, to which we 19 made allusion in our brief, which awarded a pay 20 grade increase based on transforming duties. I 21 believe you will find that the duties -- 22 transformation of the Postal Police Officer</p>	<p style="text-align: right;">93</p> <p>1 other postal workers. The pay disparity has been 2 increasing over the past 12 years and will only 3 continue to increase infinitely under the current 4 wage formula. With that, I thank the panel for 5 its attention. 6 ARBITRATOR OLDHAM: Thank you, Arlus. 7 All right. Where does this bring us? Are we -- 8 do we have any other business for this day, or do 9 we just close at this point and resume on our 10 next hearing date, which is not tomorrow, but -- 11 MS. GONSALVES: The 15th. 12 ARBITRATOR OLDHAM: The 15th. Is that 13 where we are? 14 MR. ALEXANDROVICH: Yes. 15 ARBITRATOR OLDHAM: All right. Thank 16 you-all for your attention, and we will see you 17 on the 15th. 18 (Whereupon, the proceedings were 19 adjourned at 12:06 p.m.) 20 21 * * * * * 22</p>

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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

17 _____
18 ERICK M. THACKER
19 Notary Public in and for the
20 District of Columbia

21 My commission expires:
22 June 14, 2014

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