

INTEREST ARBITRATION PROCEEDINGS

UNITED STATES POSTAL SERVICE

AND

NATIONAL RURAL LETTER CARRIERS' ASSOCIATION

OPINION AND AWARD

PANEL OF ARBITRATORS

John Calhoun Wells, Neutral Chair
Anthony J. Vegliante, USPS Arbitrator
Steven R. Smith, NRLCA Arbitrator

Washington, DC
Date: February 3, 2002

BACKGROUND

The United States Postal Service (USPS) is an independent establishment of the Executive Branch of the Government of the United States, authorized to provide mail services to the American public, 39 U.S.C. Sections 101 and 201. In 1970, the Postal Service was created by the Postal Reorganization Act (PRA). It is the successor to the former Post Office Department.

The National Rural Letter Carriers' Association (NRLCA) is a national labor organization representing over 118,000 employees of the USPS. Since passage of the PRA, there have been ten collective bargaining agreements between these parties covering the terms and conditions of employment for employees represented by the NRLCA. The most recent collective bargaining agreement expired at midnight, November 20, 1999. This 1995 National Agreement was extended for one year by the mutual agreement of the parties. The extension to the collective bargaining agreement expired on November 20, 2000. This Award applies to all employees represented by the NRLCA.

During the 90-day period prior to the expiration of the Agreement extension, the parties' representatives engaged in collective bargaining for a new 2000 National Agreement.

Negotiations opened on September 6, 2000. The first formal negotiating session took place on September 12, 2000. During this 90-day period, the parties engaged in good faith negotiations over a number of economic and work rule issues. They met frequently in main table discussions and subcommittee meetings. These extensive negotiation sessions were substantive, but did not result in any tentative agreements. When the contract expired at midnight, November 20, 2000, there was no agreement on economic matters and many significant work rule issues remained unresolved. No final agreement was reached.

Starting in early December 2000 and continuing into March 2001, the parties resumed meeting to discuss the outstanding issues, as well as the potential for fact-finding or interest arbitration. While some narrowing of the issues was achieved, no overall settlement was reached.

The Chief Negotiators for the parties continued to meet in an effort to resolve the current labor dispute or to agree upon a method to do so. Accordingly, pursuant to 39 U.S.C. Sections 1206 (c) and 1207 (c)(1), the National Rural Letter Carriers' Association and the United States Postal Service agreed to an alternate procedure to resolve their 2000 collective bargaining dispute.

This procedure was set forth in a Memorandum of Agreement dated April 13, 2001. The agreement identified a process for fact-finding/mediation and, if necessary, interest arbitration. The parties chose John Calhoun Wells, former FMCS Director, to serve as the Fact-finder/Mediator. The Memorandum of Agreement further provided that if the fact-

finding/mediation process, which was off-the-record and the contents of which were not to be disclosed in any related interest arbitration or any other proceedings, did not result in an agreement, the parties would proceed to interest arbitration. For the interest arbitration there would be a three-member interest arbitration panel comprised of the following individuals:

John Calhoun Wells -	Neutral Chair
Steven R. Smith	- NRLCA Arbitrator
Anthony J. Vegliante -	USPS Arbitrator

FACT-FINDING/MEDIATION

The off-the-record fact-finding/mediation process began with the NRLCA presenting its case on hearing dates of April 30, May 1, and May 2, 2001, and the USPS presented its case on May 9 and May 11, 2001. Aggressive mediation occurred on June 1 and June 2, 2001.

Representing the Postal Service in the fact-finding/mediation effort were Edward F. Ward, Jr., Manager, Collective Bargaining and Arbitration, Labor Relations Department, and Jon Saperstein, Attorney, Law Department. Representing the NRLCA were William B. Peer and Michael Gan from the law firm of Peer and Gan.

The mediator reminded the parties at the outset of mediation that this process was their last chance to resolve the outstanding issues themselves. Failing to do so would inevitably rest

their fate in the hands of a third party, the mutually agreed upon Arbitrator. While a useful and time-honored means to resolve their collective bargaining dispute, this arbitration process represents a loss of control by each party in determining the end result. Bluntly stated, effective though interest arbitration is in achieving a settlement to a labor dispute, it does represent an abdication of responsibility and decision making by the two parties to the dispute.

Despite the good faith efforts of the parties, the substantial work in fact-finding/mediation did not produce an agreement. On July 16, 2001, the parties proceeded to interest arbitration.

INTEREST ARBITRATION

In accordance with the April 13, 2001 Memorandum of Agreement, the arbitration panel consisted of John Calhoun Wells, Neutral Chair; Steven R. Smith, then current NRLCA President, NRLCA Arbitrator; and Anthony J. Vegliante, Vice President, Labor Relations, USPS Arbitrator. The interest arbitration proceedings began on July 16, 2001. Messrs. Peer and Gan represented the NRLCA and Messrs. Ward and Saperstein served as USPS counsel.

The parties stipulated that the issues to be resolved by the panel were:

“What should be the terms of the new 2000 National Agreement with respect to the proposals of the parties now in dispute?”

Hearings were held for 21 days between July 16, 2001 and January 31, 2002. The parties were given a full opportunity to introduce evidence, present witnesses and provide argument. The voluminous record consists of nearly three thousand pages of transcript and hundreds of pages of exhibits. The arbitration panel heard from dozens of witnesses, including economists, academics, compensation experts, statisticians, labor attorneys, finance experts, union officials, and postal management officials. Additionally, the Chair spent January 28 in the company of a rural letter carrier, observing him perform his work duties in the Post Office and accompanying him in the delivery of the mail on his route. The arbitration panel began its deliberations in executive session on February 1, 2002 and concluded those sessions on February 3, 2002.

NEUTRAL CHAIR WELLS' REMARKS

Despite the inability of the USPS and the NRLCA to reach a contract agreement, collective bargaining is alive and well between these two institutions. This interest arbitration is the first one entered into by these parties since 1984. Only twice since passage of the Postal Reorganization Act in 1970 have they failed to reach a collective bargaining agreement. This record in collective bargaining achievement stands highest among any major Union representing postal employees.

Significantly, the NRLCA and USPS jointly resolved numerous work rule issues mentioned later in a section of this Opinion and Award and are incorporated by reference. Each of those documents was developed, written, and signed off as a "tentative agreement" by

representatives of the Postal Service and NRLCA without assistance from this arbitration panel. The number and complexity of those tentative agreements confirms that collective bargaining between USPS and NRLCA is functioning.

Further, I would suggest that the collective bargaining relationship which has existed between the NRLCA and the Postal Service may accurately be described as sound and mature. This interest arbitration, while an adversarial proceeding often hard-fought and sometimes hard-edged, is an experience that may be instructive to the leadership of both parties in fully appreciating and understanding what a fundamentally good relationship they have had with all its accompanying benefits for each institution.

I want to acknowledge and to recognize the high caliber of contribution made by my fellow arbitrators. Mr. Smith and Mr. Vegliante are among our nation's premier Postal labor relations professionals. Their knowledge, experience, and wisdom about the rural carrier craft and the Postal Service informed the Neutral Chair significantly, and enabled a collegial approach to the difficult and often contentious business of a three-person arbitration panel. In large measure, any success of this panel may properly be attributed to them. The Rural Letter Carrier members and employees of the Postal Service, and the institutions of the USPS and the NRLCA, are indebted to these singular professionals for a job well done under trying circumstances. It was a pleasure to work with Mr. Vegliante and Mr. Smith.

In addition, I commend the counsel and witnesses of the two parties. The testimony and examination of witnesses was often informative. In my judgment, each of the parties

presented the best case they were capable of presenting. Their professionalism, preparation and presentation are noted by the Chair.

Despite their best efforts, the USPS and NRLCA were not able to resolve their differences in collective bargaining. In accordance with the congressional mandate set forth in the Postal Reorganization Act, the parties referred unresolved issues to this panel for resolution. Title 39 of the U.S. Code, Section 101(c) obligates the USPS to compensate its employees “comparable to the rates and types of compensation paid in the private sector of the economy of the United States.” A virtually identical obligation is imposed on the Postal Service by 39 U.S.C., Section 1003(a). The Award that follows was fashioned to comply with these statutory standards.

AWARD OF THE ARBITRATION PANEL

Term

Unless otherwise provided, the 2000 NRLCA National Agreement shall be effective from the date of this Award through November 20, 2004. In addition, provision has been made for a fifth year in the event that the parties reach agreement with respect to Article 9.1, as set forth in the 2004 reopener mechanism described below.

Parity

The parties spent considerable time and effort addressing the issue of parity or raising the pay of rural carriers to the Level 6 pay of city letter carriers. The panel rejects the argument

that pay decisions are dictated by the collective bargaining results obtained by other parties in other labor agreements within the Postal Service. Rather than internal parity, the PRA requires comparability with the private sector. We have been presented ample evidence in these proceedings that the differences which arose over time in pay, benefits, and work rules are the direct result of the differences in priorities the various parties placed on obtaining particular contract provisions. These differing priorities led to differing results. This is the nature of the collective bargaining process.

Although the wage schedules for the four major bargaining units were identical for most of the 1970s, the fact is that today each wage schedule is different. Each union now negotiates separately with the Postal Service. Each union is free to negotiate or employ dispute resolution as it determines. The resulting wage schedules, achieved either through negotiations or interest arbitration, speak to the independence of each union.

The last time that the NRLCA and the USPS reached impasse occurred in 1984 national negotiations and resulted in the January 3, 1985 interest arbitration award rendered by Marlin M. Volz. In that proceeding, the NRLCA made a concerted effort to recapture \$1954 in COLA payments that had been “lost” as a result of bargaining decisions made by the Union in the 1978 and 1981 national negotiations.

Chairman Volz was persuaded by the record evidence that rural carrier wages and benefits, including the evaluated route system, when compared to city letter carrier wages and compensation resulted in an approximate parity between the two groups. In fact, the Award

stressed that the negotiators for the Rural Letter Carriers had obtained a number of monetarily valuable and other benefits not shared with city letter carriers. Chairman Volz observed that, "They have obtained a no layoff clause, which in the 1978 negotiations was deemed by them to be as valuable as uncapped COLA." Parenthetically, the panel notes that such a layoff clause, which is an extremely rare provision in the private sector, has been retained by NRLCA in all subsequent collective bargaining. Significantly, this no layoff clause bargained by the NRLCA is the only full protection no layoff provision in USPS. The Volz Award rejected the NRLCA's demand for a "catch up" of the \$1954.

Subsequent to that decision, the parties entered into negotiated National Agreements in 1988, 1990, 1993, and 1995, plus the one year extension in 1999, each of which did not include any upgrade or recapturing of the COLA "lost" during the 1978 National Agreement. Each of these five settlements was overwhelmingly ratified by the membership, which apparently was satisfied with the overall results. These facts speak strongly about the parties' mutual, long-term acceptance of the jointly bargained outcome concerning the "lost" COLA.

As was the case in the 1996 Mail Handlers' interest arbitration before neutral arbitrator Vaughn, that Union also sought "catch up" wages as compared to their APWU counterpart. Arbitrator Vaughn correctly concluded that a union and an employer's choices between wages and benefits and long-term versus short-term gains are the right and responsibility of each party in collective bargaining. He further observed that, "Interest arbitrators must be reluctant to undo an earlier negotiated agreement on the basis that one party in hindsight thinks the other got the better of the deal. Put another way, a deal is a deal." We concur with

Arbitrator Vaughn's analysis and believe that it has significant applicability to the current proceeding with the NRLCA.

The April 26, 2000 Collins interest arbitration award covering APWU information technology and accounting workers is also on point. We subscribe to Arbitrator Collins' view about "catch-up" wage increases, that there is no authority in Postal Service interest arbitration awards, in labor relations doctrine, or law supporting such entitlement. Allowing "catch-up" wage increases to become a factor in these proceedings would produce "a replay of negotiations or interest arbitrations." For an arbitrator to substitute his judgment on this issue for the judgment of previous negotiators, freely elected by their membership or appointed by their employer, is an inappropriate exercise of authority.

Against this backdrop, the NRLCA failed to advance compelling evidence in this case that there should be a complete recapturing of the "lost" COLA by increasing the salary of rural carriers relative to that of city letter carriers. Plainly, "a deal is a deal" for both parties, and one party cannot be permitted to accept the benefits of its earlier bargains with the other party and at the same time eliminate any benefits flowing to the other party. Accordingly, the NRLCA's demand for wage parity, the "Level 6" issue, is not accepted.

It is important to address the NRLCA's assertions that there exists, or should exist, a pay linkage with city letter carriers. The Union was unable to submit persuasive evidence to support its claim. Their central argument in this case is that rural carriers should receive the one pay level upgrade that was awarded to the city letter carriers by the September 19,

1999 Fleischli interest arbitration award. In that case, it appears that the NALC convinced Chairman Fleischli that the duties and responsibilities of city letter carriers had been expanded to the point that the outdoor work being performed had become significantly more difficult from a physical and mental standpoint and warranted a pay upgrade. Apparently, these changed duties were the direct consequence of the Postal Service's automation program as well as the introduction of new work methods that significantly affected the work of city letter carriers. We were not convinced by the evidence advanced by the NRLCA that any like changes had occurred to the rural carrier craft. At best, regarding those few changes that did take place over the last decade, the parties negotiated adequate time allowances to compensate the rural carriers, unlike the situation which existed with the city carriers.

External Comparability

A major consideration for the panel concerns evidence on wage and benefit comparability. As mentioned earlier, NRLCA witnesses testified that its primary economic demands were based on the premise that its wage levels should be increased to the wage levels of the NALC as of November 18, 2000. This proposal alone would serve to increase rural carrier wages by nearly 9%. In support of its proposal, several Union witnesses testified that a direct job match existed with the NALC which justified its demand.

The panel does not accept the NRLCA position that wages paid to city letter carriers should serve as the guiding standard in establishing wages for rural carriers. Although city and rural letter carriers may perform similar duties in the office setting, that fact is not determinant

when measuring pay comparability. Internal pay comparability has no place in determining the wages and benefits to be paid to postal employees. Rather, comparability as it relates to employees of the Postal Service is a function of the PRA of 1970 which clearly articulates the proposition that Postal employees should have pay comparability with the private sector.

The statute clearly states in two separate sections:

It shall be the policy of the Postal Service to maintain compensation and benefits for all officers and employees on a standard of comparability to the compensation and benefits paid for comparable levels of work in the private sector of the economy. 39 U.S.C. Section 1003(a).

As an employer, the Postal Service shall achieve and maintain compensation for its officers and employees comparable to the rates and types of compensation paid in the private sector of the economy of the United States. 39 U.S.C. Section 101(c).

This view was most recently confirmed by Arbitrator Stephen B. Goldberg in the 2001 interest arbitration Award between the USPS and the APWU which represents 340,000 postal employees. Arbitrator Goldberg observed that, "...the Postal Reorganization Act requires the Panel focus on external comparability – wages and benefits paid in the private sector – not on internal comparability or internal equity." The panel does not accept the

NRLCA's demand to have its wages brought to the level of wages paid to the city letter carriers.

The NRLCA failed to present relevant external comparability evidence. The external comparability evidence presented by the Union concerned wage levels paid by large employers (500 or more workers) as measured by the Bureau of Labor Statistics survey of Employer Costs for Employee Compensation. Although the panel notes that the Postal Service is certainly a large employer, there is no record evidence that employees at such large firms should serve as a direct match for rural carriers. The PRA clearly identifies the private sector economy as the appropriate standard for comparison. Even if the panel would choose to accept the Union's large firm analysis as a basis to establish wages for rural carriers, which would be incorrect to do, the Union's limited evidence does not begin to support its 9% wage demand.

The Postal Service presented evidence on external comparability and, as an example, presented information concerning the wages and benefits paid to contractors performing box delivery service. This evidence included BLS data which clearly showed the wages and benefits which are paid in the private sector. The evidence presented by the Postal Service is in line with the requirements of the PRA.

The panel accepts the Postal Service's evidence on external comparability evidence in this case. Based on this evidence, rural carriers enjoy a wage and benefit premium compared to the private sector although we are unable to determine the magnitude of that premium.

The panel has taken note of the evidence presented by the Postal Service on voluntary quit rates. Regular rural carrier quit rates have been less than 1% per year for the last decade and, significantly, are the lowest of the four major bargaining units. Although rural carrier associate quit rates are considerably higher than those for regular employees, the evidence provided by the USPS showed that these rates were reasonably close to part-time flexible city letter carriers. It is instructive that the Union provided no rebuttal to this evidence. Finally, the Postal Service presented data on the favorable annual, sick, and holiday leave provisions enjoyed by rural carriers as compared to the private sector. And in particular, the USPS presented evidence on the high quality and low cost package of health care benefits provided to postal employees. The NRLCA did not refute any of this evidence. Of particular importance is the reality that the evaluated pay system adds significant value to the rural carriers, especially regarding paid leave and retirement benefits.

In summary, the panel concludes that a rural carrier wage and benefit premium exists. However, the union can take pride as it negotiated such pay benefits for its members.

Economic Provisions

Today, Postal Service and its employees are facing unparalleled challenges. Deteriorating economic conditions have affected the business world and the postal experience is certainly affected by these economic realities. Terrorist actions have shocked the world and saddened the postal family as the terrorists' evil deeds have hit close to home. The costs to

our nation, the Postal Service, and its employees have been enormous in both human and financial terms.

We must determine an economic outcome from this Award which ensures employees a fair wage in return for postal employment as well as provide the means for the Postal Service to continue to operate efficiently and to maintain viable operations and employment for the future. This outcome is of equal relevance to all parties: the Postal Service, its unions and employees.

The panel is persuaded that the moderate restraint exercised by the Goldberg Panel in establishing wage increases is applicable to the NRLCA, based on the existence of a wage and benefit premium for rural carriers. In addition, the panel awards a fourth year and a reopener dealing with a possible fifth year. Accordingly, general wage increases will be provided in the first four years of the 2000 NRLCA National Agreement as follows:

Effective 11/18/00 – 1.2% of the salary schedule in effect on 9/9/00

Effective 11/17/01 – 1.8% of the salary schedule in effect on 9/9/00

Effective 11/16/02 – 1.4% of the salary schedule in effect on 9/9/00

Effective 11/15/03 – 1.2% of the salary schedule in effect on 9/9/00

The 1.2% and 1.8% general wage increases shall be paid as soon as administratively practicable.

With respect to a possible fifth year, the parties must mutually agree that the total economic package, as set forth in Article 9.1 of either the APWU or NALC National Agreements for the comparable time period, should be applied to Article 9.1 of the 2000 NRLCA National Agreement. The parties must reach such an agreement no later than July 20, 2004 or proceed to collective bargaining on the successor NRLCA National Agreement to the 2000 NRLCA National Agreement. In the event that the parties reach agreement on the terms of Article 9.1 for the fifth year, such provisions shall be effective November 13, 2004.

The parties' practice has been to apply the dollar amount equivalent of a percentage increase provided to other bargaining units in arriving at a general wage increase to be provided rural carriers. It is noted that this practice is an enhancement to the pay package resulting from a negotiated agreement. This mutually benefits the parties as an inducement to contract settlement and ratification. Based on the Postal Service's dire financial condition, the practice of providing the dollar amount equivalent will not be applied to the 1.2% and 1.8% general wage increases in November 2000 and November 2001, respectively. However, the 1.4% and 1.2% general increases in November 2002 and November 2003, respectively, will be based on the APWU salary schedule then in effect.

COLA

The wage provisions of this Award are consistent with the fact that rural carriers enjoy total compensation in excess of the levels paid in the private sector of the economy. In addition, the current financial conditions of the Postal Service have significantly deteriorated. The Postal Service lost nearly \$1.7 billion in FY 2001. This loss occurred before the events of

September 11 and the dissemination of anthrax through the mail. Significant losses are also anticipated in FY 2002. We are mindful of these facts in fashioning the Award, and in particular the findings on COLA are dictated to a large extent by these financial concerns. To address the real financial danger to the Postal Service, we are adjusting the COLA formula. Although the COLA formula and payments shall occur in most years of the contract, they will not occur in the first year. The COLA base period shall be October 2001. In lieu of any COLA payments in year one of the contract, career employees will receive a one-time lump sum cash payment of \$499. This payment will not be added to basic pay. This payment equals the COLA amount that would have been paid had the COLA base period been October 2000. Eligibility rules shall be identical to those used by the parties with respect to the payment of the one-time cash payments in 1996 and 1998. The \$499 lump sum payment will be paid as soon as administratively practicable.

Presidential Emergency Board Report

The NRLCA submitted as part of its rebuttal case the January 20, 2002 Report of the Presidential Emergency Board (PEB) dealing with United Airlines and the International Association of Machinists and Aerospace Workers. The panel notes that during difficult financial times for an employer, like United Airlines in the PEB Report or the Postal Service in this case, the PEB determined that employees should share in any needed concessions to enable that employer to survive and ultimately to thrive. This is an additional reason in support of a first year economic package that rebases the COLA to October 2001, as was done in the 2001 Goldberg Award. Such rebasing results in a \$499 lump sum payment for “missed” COLA adjustments but does not roll that amount into the basic pay of rural carriers.

Frankly, this is only one of several methods to provide the Postal Service needed financial relief in a particular year(s). The use of lump sum payments in lieu of general wage increase or even more moderate general increases than those provided by the 2001 Goldberg Award, are additional mechanisms that could have assisted the Postal Service at least in the first year of the new 2000 NRLCA National Agreement. As long as the financial condition of the USPS places it at risk, similar measures should be employed in those years in order to allow the Postal Service to regain its footing and once more become a financially viable institution.

Pay Adjustments

Although internal pay comparability is not a basis for providing wage increases, the NRLCA provided testimony at length regarding the similarity of the work performed by city letter carriers and rural carriers. The Postal Service described, in detail, the differences in the work content and work methods, especially the outdoor aspect of the work for city letter carrier foot routes and park-and-loop routes. Those positions have been discussed in an exhaustive fashion by numerous, capable witnesses presented by both parties.

Based upon the evidence in the record, there is inadequate support for providing salary increases of the magnitude sought by the Union. However, interest arbitration is a procedure which attempts to determine a result that the parties would have reached had their negotiations successfully concluded. The panel believes the parties would have structured an agreement which contemplated successfully dealing with the NRLCA's interest in maintaining a pay relationship with city letter carriers, dating back to 1985.

We also believe that the Postal Service would have successfully advanced its needs for increased productivity in rural operations. These productivity needs have been addressed jointly by the parties in the past in order to make the rural carrier craft more efficient as work methods changes are implemented. Despite the fact that the rural carriers have failed to prove that they are entitled to Level 6 pay or should otherwise be linked to city letter carrier pay, it has been determined that rural carriers should receive pay adjustments of some consequence in exchange for improved productivity in rural carrier operations. We believe that this result would have occurred in the give and take of hard collective bargaining. In effect, this means that rural carriers shall receive the one pay level upgrade which was provided to the city letter carriers in November, 2000. In addition, the panel awards a \$300 wage increase to the rural carrier evaluated salary schedule. Both pay adjustments shall become effective on May 18, 2002. The panel wants to strongly emphasize that these pay adjustments can only be made because of the changes effected in standards which are to be utilized in the 2002 national mail count. Thus, this Award has recognized the need for significant pay adjustments which are funded by enhanced rural carrier productivity as a result of the standards changes described below.

Standards

The Postal Service has proposed modifications to six mail count standards: the casing rates for letters (from 16 PPM to 20 PPM), for flats (from 8 PPM to 10 PPM) and for strapout (from 60 PPM to 70 PPM); a change in the letter size standard (from 5" to 6 and 1/8" in width); a

change in the size standard for Delivery Point Sequence (DPS) mail; and a change in the definitional standard for a parcel.

The record evidence demonstrates that rural carriers have been working under evaluation, which is commonly called “the bump,” by increasingly greater margins over the past 15 years. Based on the record evidence, the increase appears to be due, in part, to the fact that a number of the casing standards are outdated and a significant number of rural carriers exceed these standards by a wide margin. The evidence demonstrates that the casing standards to which the Postal Service has proposed modifications were implemented over forty years ago. Improvements in casing equipment since these standards were first implemented have permitted carriers to case more efficiently. The record establishes that beginning in the early 1970s, the Postal Service began purchasing and distributing redesigned casing equipment around the nation. This equipment has allowed carriers to case and strapout mail more efficiently than was possible with the equipment utilized at the time the standards were originally implemented in 1954. Additionally, this new equipment enlarged the space between shelves thereby making the 5” letter standard obsolete. Moreover, the evidence also established that the positive effect of this equipment on casing efficiency has been enhanced in more recent years by the advent of DPS mail and the adoption of an improved addressing system in rural areas. In particular, DPS has significantly reduced the amount of mail that a rural carrier is required to case.

The outdated nature of these casing standards has also been supported by the results of a review of casing rates undertaken by the Postal Service. During these proceedings, the

introduction of this review engendered heated debate between the parties. While substantive questions were raised about the statistical validity of the review, the evidence presented was persuasive that a number of the current casing standards, especially the flat casing and strapout standards, are significantly below the rural carriers' actual performance. Accordingly, we will revise the casing standards for flats from the current eight pieces per minute to ten pieces. We will also revise the strapout standard, in accordance with the Postal Service proposal from 60 pieces per minute to 70 pieces. The data presented does not support the Postal Service's proposal that the letter casing rate should be increased from 16 letters per minute to 20 letters. However, it does support a revision of the letter casing rate from 16 letters per minute to 18 letters, and we so find that the letter casing standard should be revised accordingly. The panel has also determined that the definition of a letter that is used in mail counts should be revised from 5" to 6 and 1/8" as proposed by the Postal Service.

We reject the Postal Service's proposals to modify the DPS size standard and to change the definition of parcel. There is significant difference of opinion between the parties regarding the impact that these proposed changes would have. Moreover, the DPS standard and time allowance for parcels were implemented more recently when compared to the casing standards.

The Union has advanced proposals with respect to five mail count standards. In this regard, the NRLCA has proposed the creation of new time allowances for functions which it

denominates as unloading, reloading, edit book work and case label maintenance, as well as an increase to the time allowance for parcels from 0.5 minutes to 1.5 minutes.

The NRLCA has failed to offer convincing evidence other than some anecdotal testimony regarding its five mail count standard proposals. There is nothing in the record that would suggest that the nature of the work has so dramatically changed to justify the creation of this whole new series of time allowances. Similarly, the Union has not presented any compelling evidence to justify increasing the time allowance for parcels by 200%. Therefore, the panel rejects these proposals.

L Route/Substantial Service Change

The Union has proposed the elimination of the L route standard and a change in the number of “banked” minutes (from 120 to 60) that would be required to trigger a modification of a route evaluation. In support of its proposal to eliminate the L route, the Union did provide a statistical analysis to demonstrate that carriers on non L routes exceeded their evaluation on average by a somewhat greater margin than those on L routes. There is no disagreement between the parties that the voluntary negotiation of the L route concept in 1981 stemmed the transfer of routes from rural delivery to city delivery, and thereby permitted rural routes to more than double since 1981. Notwithstanding that the rural carrier craft has had the benefit of this bargain for twenty years, the Union now seeks to have this bargain revoked through interest arbitration. In the opinion of the panel, the repeal by means of an interest arbitration award of a significant provision that the parties have previously negotiated should occur, if at all, only in extraordinary circumstances that have not been shown here.

Nonetheless, although the parties disagree as to the magnitude, the evidence that the Union did present does suggest that there is a difference in the amount of time that L route carriers work under evaluation compared to non L route carriers. We believe that it is appropriate to mitigate this difference. Accordingly, beginning with the 2002 mail count, the coverage factor applied to the regular box allowance for L routes will be increased from 82% (1.64 minutes per box) to 91% (1.82 minutes per box).

In addition, we are also persuaded that when there are changes in the route evaluation, it is a burden for carriers to accumulate 120 minutes of change before the adjustment is implemented. Therefore, in conjunction with the effective date of the 2002 mail count, an interim adjustment will be implemented upon accumulation of 60 minutes of substantial service changes, thus cutting the required time by one half.

Mail Count

In 2002, a national mail count will be conducted on all rural routes for twelve (12) working days beginning February 28, and ending March 13, 2002. The effective date for the national mail count will be May 4, 2002. In conjunction with this count, the following new standards will be implemented:

Flat mail casing will be credited at 10 pieces per minute.

Letter mail casing will be credited at 18 pieces per minute.

Strapout of mail will be credited at 70 pieces per minute.

The definition of letter size mail will increase from 5 inches to 6 1/8 inches in width.

The requirement to hold a joint conference to discuss mail count procedures at least fifteen (15) days prior to the count is modified for the 2002 national mail count. All pre-count conferences must be completed at least six (6) days prior to the beginning of the count or not later than close of business February 21, 2002. Rural carriers may agree to participate in the national mail count on the assigned route where requested by management and will be compensated accordingly. Should the evaluation of any regular route fall below the guaranteed annual salary as a result of the 2002 national mail count, the route should be adjusted to the guaranteed salary level, provided a sufficient buffer is available.

In 2003, a national mail count will be conducted on all rural routes for twenty-four (24) working days beginning with the Saturday preceding the Presidents' Day Holiday in February.

In 2004, a national mail count will be conducted on all rural routes for eighteen (18) working days beginning with the Saturday preceding the Presidents' Day Holiday in February.

With the exception of the 2002 national mail count, regular carriers may exercise an option not to count if mutually agreeable between the rural carrier and the Postal Service. The effective date for the 2003 and 2004 national mail counts will be at the beginning of the second full pay period in the calendar month following the count.

The Chair finds the mail count process grossly outdated. I believe there is a better way to achieve an accurate and fair mail count. But, rather than impose my process for mail count

improvement upon the parties, it is ordered that the two parties jointly choose a recognized national authority experienced in these matters to create an alternative to the current mail count process. The process should begin no later than six (6) months from the issuance of this award or August 3, 2002 and be completed not later than six (6) months prior to the expiration of this Agreement or May 20, 2004. At the conclusion of this process the parties shall jointly determine whether or not to implement the recommendations.

Tentative Agreements on Work Rules

The parties have reached a number of tentative agreements on work rule matters which were the subject of much discussion during negotiations, fact-finding/mediation, and significant testimony during the interest arbitration proceedings. These tentative agreements are contained in a separate document and have been reviewed by the panel and endorsed as contractual provisions to be incorporated in the 2000 NRLCA National Agreement. All other proposals of the parties not dealt with specifically by this Opinion and Award were either withdrawn or have not been adopted by the panel.

We wish to make special mention of the fact that the NRLCA and the Postal Service's willingness to engage in lengthy, productive discussions on these issues in a process parallel to the interest arbitration proceedings shows the depth of their commitment to reach negotiated agreements. These parties are to be commended for such efforts.

Terms of Prior Agreement Remain in Effect

The terms and conditions of the 1995 NRLCA National Agreement which have not been dealt with in this Opinion and Award shall remain in effect until the expiration of the 2000 NRLCA National Agreement which has been established in accordance with this Opinion and Award.

Chair's Closing Comments

The Chair recognizes the impact of the Award on the USPS and its employees. The issues before us were difficult and complex. I appreciate the collegial efforts by the panel in fashioning this Opinion and Award.

I note again that this is the first interest arbitration between the National Rural Letter Carriers' Association and the United States Postal Service since 1985. Given the history of interest arbitration between the Postal Service and its other major Unions, the fact that this is only the second interest arbitration since the inception of collective bargaining between the parties, demonstrates the strength of their relationship. This relationship is of value to both institutions. I remind the parties of this basic fact.

An arbitration, by its very nature, is an adversarial proceeding. This one has been hard-fought and at times hard-edged. Scars often ensue as a legacy of the interest arbitration experience. I respectfully suggest to the leadership of the parties that at the conclusion of this experience, they should consider working together to regain the mutually beneficial collective bargaining relationship that has existed between them. I believe strongly that this

would be for the betterment of the National Rural Letter Carriers' Association and the Postal Service and, more importantly still, for the employees and members of these two institutions, as well as for the public whom they serve.

Let us not forget that the welfare of postal employees and their unions are directly tied to the welfare of the Postal Service. One begets the other. Their interests, while sometimes in conflict, are inextricably intertwined.

John Calhoun Wells
Neutral Chair

Anthony J. Vegliante
USPS Arbitrator

Steven R. Smith
NRLCA Arbitrator

Dated: February 3, 2002