

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

1360

BEFORE THE BOARD OF INTEREST ARBITRATION

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

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

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

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

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

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1369	<p>1 about the primary purpose of PPO basic training. 2 It's to give them the skills they need to be a 3 uniformed security force officer. 4 And then on the last page, you'll see 5 that it requires the signature of the applicant. 6 And then, under reinstatement, it states that -- 7 that the applicant understands that there's no 8 obligation of -- of the Inspection Service to 9 help them return. 10 The second document is kind of -- 11 ARBITRATOR OLDHAM: Excuse me, but -- 12 MS. GONSALVES: Yes. 13 ARBITRATOR OLDHAM: -- before you leave 14 this one, tell me about the dating of this 15 document as a memorandum of understanding. 16 MS. GONSALVES: Okay. That is a good 17 question. This is just the standard form that 18 has been used for years in the Inspection 19 Service. It's a standard form that PPOs have to 20 sign. 21 ARBITRATOR DUFEK: At the bottom, it 22 does say on the first page -- I don't know if</p>	1371	<p>1 that out and let you know later. I mean, I 2 haven't actually spoken to anyone about that. 3 I'm not sure that that statement that he's 4 talking about is even in dispute. 5 MR. STEPHENS: I thought it was 6 disputed. In any event -- 7 MS. GONSALVES: The document says what 8 it says. 9 ARBITRATOR OLDHAM: Okay. 10 MS. GONSALVES: The second document is 11 just -- I don't want to spend a long time on 12 this, but it repeatedly refers to reassignment. 13 You're going to be reassigned the position of 14 Postal Police Officer. 15 And the reason why we're bringing this 16 document in is it's in response to the Union's 17 argument that PPOs resign. Like other postal 18 employees, they are reassigned from their present 19 assignment as PPOs. The Postal Service needs to 20 fill those vacancies that are left behind. 21 That's true with any postal employee. And this 22 document just confirms that Postal Police</p>
1370	<p>1 this is relevant, but it's Postal Police Officer 2 Applicant Memorandum of Understanding for Postal 3 Employee, Version 6/11/2012. 4 MS. GONSALVES: And I can proffer that 5 this is the version that's currently in use. If 6 we want to go back further, we can have somebody 7 explain that or I could educate myself. 8 ARBITRATOR OLDHAM: No, as long as it's 9 agreed that it's a current document. 10 MR. STEPHENS: I've never seen the 11 document until just now. So I -- I know there's 12 a couple of things I can already tell are out of 13 date and a couple of things that I'd like to 14 question about, like the admission that PPOs are 15 expected to meet higher standards of job 16 performance, attendance and conduct than other 17 postal staff employees -- 18 ARBITRATOR OLDHAM: Who would be the -- 19 MR. STEPHENS: -- on page 2. 20 ARBITRATOR OLDHAM: -- appropriate 21 witness for -- to question about that? 22 MS. GONSALVES: I can -- I can figure</p>	1372	<p>1 Officers are reassigned in the Postal Service. 2 ARBITRATOR OLDHAM: Okay. 3 MS. GONSALVES: And that was it for my 4 introductory comments, and we're ready to start 5 with Mr. Billingsley. 6 ARBITRATOR OLDHAM: That's fine. 7 MS. SULLIVAN: Okay. 8 ARBITRATOR OLDHAM: Where is 9 Mr. Billingsley? 10 THE WITNESS: I am right here, sir. 11 MS. SULLIVAN: Good morning to the 12 panel. My name is Kate Sullivan. I'm the labor 13 relations specialist with the Postal Service, and 14 I'll be presenting Mr. Billingsley today. 15 Mr. Billingsley's slides can be found 16 behind Tab H-1, and the panel will be delighted 17 to know that he only has these slides as an 18 exhibit, so you won't have to flip back and 19 forth. 20 ARBITRATOR OLDHAM: Mr. Billingsley, 21 you'll be sworn in, please. 22</p>

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

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

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

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

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

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

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

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1401	<p>1 THE WITNESS: Right.</p> <p>2 ARBITRATOR OLDHAM: Are these hourly</p> <p>3 workers, or are these workers that -- or do we</p> <p>4 differentiate between hourly and salaried?</p> <p>5 THE WITNESS: You can. I mean, there's</p> <p>6 different cuts. But for the full-time private</p> <p>7 sector, those are all full-time private sector</p> <p>8 workers of the -- of the sample. I -- I try to</p> <p>9 get at if we compare PPOs to the sample and not</p> <p>10 necessarily consider the occupation, the wages</p> <p>11 earned by PPOs exceed the wages earned by the</p> <p>12 sample.</p> <p>13 However, the wages of the sample exceed</p> <p>14 the specific wages for the occupations that the</p> <p>15 Postal Service believes we compare the PPOs to in</p> <p>16 the private sector. And, so, while it is a</p> <p>17 sample of overall the different occupations, it</p> <p>18 includes a variety of occupations. At least in</p> <p>19 the -- in the wage premium effect on benefits, it</p> <p>20 would be -- it would slightly understate that</p> <p>21 effect, if that helps.</p> <p>22 ARBITRATOR OLDHAM: Okay. I'm not very</p>	1403	<p>1 THE WITNESS: That's right.</p> <p>2 ARBITRATOR DUFEK: And, therefore, it</p> <p>3 is impossible for you from that dataset to</p> <p>4 compare, as Arbitrator Oldham said, apples to</p> <p>5 apples.</p> <p>6 Now, having said that, what I</p> <p>7 understood you to say is that the dataset that</p> <p>8 you used from the Bureau of Labor Statistics, the</p> <p>9 average wage that goes into this is higher than</p> <p>10 an occupation-to-occupation comparison.</p> <p>11 THE WITNESS: That's right.</p> <p>12 ARBITRATOR DUFEK: And so, therefore,</p> <p>13 when you look at the benefit costs relative to</p> <p>14 that wage set, you're basically saying that this</p> <p>15 premium is understated.</p> <p>16 THE WITNESS: That's correct.</p> <p>17 ARBITRATOR DUFEK: That's what I</p> <p>18 understood.</p> <p>19 THE WITNESS: Yes. We're using -- I'm</p> <p>20 using the best available data source to get down</p> <p>21 at these individual benefit costs per work hour.</p> <p>22 ARBITRATOR DUFEK: One thing that may</p>
1402	<p>1 clear on that --</p> <p>2 THE WITNESS: Okay.</p> <p>3 ARBITRATOR OLDHAM: -- and maybe we can</p> <p>4 pursue that before you leave your seat.</p> <p>5 THE WITNESS: Okay.</p> <p>6 ARBITRATOR OLDHAM: But I can leave it</p> <p>7 there for a moment.</p> <p>8 THE WITNESS: All right.</p> <p>9 ARBITRATOR DUFEK: And just let me</p> <p>10 clarify one thing from my vantage point, because</p> <p>11 I think you said this, but I'm not sure I</p> <p>12 understood it properly.</p> <p>13 When you look at wage data in the</p> <p>14 private sector and you compare PPOs to other</p> <p>15 occupations, that's possible to do from the</p> <p>16 datasets that are provided by the Bureau of Labor</p> <p>17 Statistics, because they break the wage data down</p> <p>18 by occupation.</p> <p>19 THE WITNESS: That's correct.</p> <p>20 ARBITRATOR DUFEK: However, when it</p> <p>21 comes to benefits, the Bureau of Labor Statistics</p> <p>22 does not do that.</p>	1404	<p>1 be helpful to us, because I think it's very</p> <p>2 relevant to the proceedings as a whole, is it</p> <p>3 might be useful to submit to the panel precise</p> <p>4 costs of our existing outside contractors that we</p> <p>5 use in building security.</p> <p>6 THE WITNESS: Okay. I think that's</p> <p>7 doable.</p> <p>8 ARBITRATOR DUFEK: And that may be more</p> <p>9 helpful, at least in terms of something like an</p> <p>10 apples-to-apples comparison.</p> <p>11 BY MS. SULLIVAN</p> <p>12 Q Let's shift gears and talk about the</p> <p>13 retirement benefits that PPOs receive.</p> <p>14 What are the two possible retirement</p> <p>15 benefit plans a PPO could fall under?</p> <p>16 A Sure. So, looking at this slide, you</p> <p>17 can see the two possible plans are the Civil</p> <p>18 Service Retirement System and the Federal</p> <p>19 Employees Retirement System. For CSRS, there is</p> <p>20 a defined benefit portion of that at 2 percent of</p> <p>21 salary per year of service. This defined benefit</p> <p>22 is fully indexed with inflation, and these CSRS</p>

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

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<p style="text-align: right;">1409</p> <p>1 the beginning and sort of itemized the costs for  2 you. You can see that wages for straight time  3 hours worked and paid leave added together for  4 the average salary subtotal of 53,446. You add  5 in those benefits and premium numbers, a total  6 compensation of over \$77,500. And then you add  7 in those additional labor costs, the overtime as  8 well as the retiree health benefits, and it  9 brings you to a total labor cost of \$90,334.  10 MS. SULLIVAN: Thank you, Michael.  11 I have no further questions at this  12 time.  13 ARBITRATOR OLDHAM: I'll bet you want a  14 break.  15 MR. STEPHENS: That would be wonderful.  16 Is 15 minutes okay?  17 ARBITRATOR OLDHAM: Yes.  18 MR. STEPHENS: Thank you.  19 (Brief recess.)  20  21  22</p>	<p style="text-align: right;">1411</p> <p>1 Q Do PPOs -- oh, were you present during  2 the testimony of Dale Belman?  3 A I was.  4 Q And you are then aware that Dale  5 Belman, he -- instead of using average salary, he  6 used top step salary; is that correct?  7 A For some of his calculations, yes.  8 Q And did you find that this top step --  9 the top step salary, did you find any problems  10 with that analysis or -- in his calculations?  11 A I did not review his calculations in  12 depth. We never -- I -- I don't believe -- to my  13 knowledge, we never received his -- his  14 underlying calculations, so I did not review  15 that. But using the top step salary is a  16 different methodology. I'd have to review his  17 calculations in depth to tell you whether I agree  18 or disagree.  19 Q Okay. So for -- back to this blue  20 line, the PPO average salary growth line, if you  21 took out the step increases, that blue line would  22 be underneath the ECI line; is that correct?</p>
<p style="text-align: right;">1410</p> <p>1 CROSS-EXAMINATION BY COUNSEL FOR  2 THE  3 UNION  4 BY MS. MCKINNON  5 Q Good morning, Mr. Billingsley.  6 A Good morning.  7 Q My first question for you is: Did you  8 perform all the underlying calculations that are  9 contained in this PowerPoint?  10 A I did.  11 Q Did you perform them alone?  12 A I did.  13 Q Okay. Can I please direct your  14 attention to Slide No. 4?  15 A Sure.  16 Q So you testified that this blue line  17 represents the average salary growth for PPOs --  18 A That's correct.  19 Q -- that's correct?  20 And then does this blue line -- this  21 blue line (indicating) includes step increases;  22 is that correct?  23 A That's correct.</p>	<p style="text-align: right;">1412</p> <p>1 A I'd have to look, but, yes, I would  2 assume so.  3 Q All right. Can you please turn to  4 Slide 5? Isn't it correct that the relative  5 seniority distribution between the PPO craft and  6 the other crafts is different?  7 A To my knowledge, not -- not so much, at  8 least from what I've -- I've reviewed and the  9 work I've done, it seems like the entirety of the  10 Postal Service, not just bargaining unit  11 employees, are at the higher end on the tenure  12 scale, I'll say, and so I wouldn't suspect that  13 that would impact these calculations much, no.  14 Q Are you aware that 83.6 percent of PPOs  15 are at the top step?  16 A Around there, yes.  17 Q And do you know how many NALC letter  18 carriers are at the top step?  19 A I do not. The last calculation I did,  20 I believe it was in that three-quarters range.  21 Q You believe, but you don't know?  22 A I do not know for certain, no.</p>

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

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

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

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

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

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<p style="text-align: right;">1433</p> <p>1 THE WITNESS: I'm not quite sure.  2 I don't -- we haven't hired very many new -- new  3 APWU employees. So if it did, it would be quite  4 a small portion, and I -- I don't believe so, but  5 I could -- I can confirm that for you.  6 ARBITRATOR BJORK: Okay. How about for  7 the carriers? Does that include CCAs?  8 THE WITNESS: No. This is for career  9 only.  10 ARBITRATOR BJORK: And then, on Slide  11 7, these numbers would have significantly changed  12 from 2013, correct?  13 THE WITNESS: In 2013, the APWU, the  14 rural carriers have experienced their wage  15 freeze, and so they did receive the -- the  16 increases awarded in -- in their contracts.  17 Now, the reason why I chose 2012 is,  18 again, because that was the end of the PPO  19 contract. So that's -- that's why I chose the  20 average in 2012.  21 ARBITRATOR BJORK: Okay. I think  22 that's it. I think that's all I have. Thanks.</p>	<p style="text-align: right;">1435</p> <p>1 DIRECT EXAMINATION BY COUNSEL FOR  THE  2 POSTAL SERVICE  3 BY MS. PENN  4 Q Can you give me your name and spell it  5 for the record, please?  6 A Certainly. Tom Pavlik, P-A-V-L-I-K.  7 Q And, Mr. Pavlik, what is your  8 occupation?  9 A I am the managing principal of the  10 Chicago office of Sullivan Cotter and Associates.  11 MS. PENN: Could you queue up the first  12 slide for me, please?  13 BY MS. PENN  14 Q And can you give me your educational  15 background briefly?  16 A Sure. I have a computer science degree  17 and an MBA from the College of William and Mary.  18 Q Do you have any other credentials you'd  19 like to outline for us?  20 A In the profession of compensation, I'm  21 a certified compensation professional, which is  22 offered by the national association. There's a</p>
<p style="text-align: right;">1434</p> <p>1 ARBITRATOR OLDHAM: Thank you.  2 THE WITNESS: Thank you.  3 (Witness excused.)  4 MS. GONSALVES: We need about two  5 minutes just to get the next PowerPoint up and  6 switch seats. And, Arlus, I would request if you  7 could do the same for us as we did for you and  8 reduce any requests for information to writing.  9 MR. STEPHENS: Absolutely. Will do.  10 ARBITRATOR OLDHAM: Sir, you'll need to  11 stand up and be sworn in as a witness.  12 WHEREUPON,  13 TOM PAVLIK  14 called as a witness, and having been first duly  15 sworn, was examined and testified as follows:  16 THE WITNESS: I do.  17 MS. PENN: I'm Sonya Penn. I'm a labor  18 relations specialist, and I'll be presenting the  19 next witness for the Postal Service.  20 ARBITRATOR OLDHAM: Thank you.  21 MS. PENN: You disappeared on me.  22 THE WITNESS: What's that?</p>	<p style="text-align: right;">1436</p> <p>1 number of classes you to take in order to get  2 that certification.  3 Q Okay. And can you tell me what you do  4 in your day-to-day work as a pay compensation  5 specialist?  6 A Sure. So our firm focuses on  7 compensation, and that could be within the area  8 of assessment, just compensation evaluations  9 relative to positions, or redesigning programs  10 for different types of organizations, and that  11 can go all the way from staff to physicians to  12 executives.  13 Q And what does an employer typically do  14 with the information that you provide them?  15 A You know, so it -- it varies by the  16 organization. Really, what we're trying to most  17 often do for some of our clients is -- is just  18 give them an assessment evaluation of where their  19 current pay is today. We do work with some  20 clients that decide they want to have a brand new  21 pay program, so we would do the market assessment  22 piece and then help them design something that</p>

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

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1441	<p>1 on -- on Slide 3, so really get an understanding 2 of the job, then identify relevant survey sources 3 that may reflect the -- the market you're 4 competing in or that you're comparing yourself 5 to, identify comparable jobs within those surveys 6 and then extract that market data from those 7 published surveys. And the last step is then 8 just kind of a competitive analysis to compare 9 our current levels to that market that we've 10 collected.</p> <p>11 Q Could you turn to Slide 4? 12 In your study of the PPO position, did 13 you go beyond what you would have normally done 14 for a pay comp study? 15 A Sure. So if you -- if you look at this 16 slide really -- and, again, understand the job, 17 so you have to look at the -- the duties, the 18 responsibilities, the knowledge, work 19 environment, unique skills, et cetera. That's 20 pretty consistent as far as trying to just 21 understand the job, the analysis part. 22 The typical approaches in the next</p>	1443	<p>1 direct supervisors or the incumbents themselves 2 to clarify anything relative to the job 3 description, or once in a while, we'll do 4 questionnaires. We actually send out a hard copy 5 questionnaire to each employee and ask them what 6 would they do in their job. 7 But the vast majority, if you get that 8 first row where are job descriptions accurate, it 9 reflects the knowledge and skills needed for the 10 job. Most of the time, that's kind of where we 11 stop. What we did with the Postal Service is we 12 kind of did the on-site visits. And the on-site 13 visits were then we wanted to meet with the 14 managers to say, is this job description still 15 accurate and up to date, are there things going 16 on in your facility that are not captured in the 17 job description, okay, to just help us clarify 18 and understand the job description. The same 19 thing, the job description on page 2 describes 20 the knowledge and skills that are required for 21 the PPO position. 22 Q And does your slide reflect what sites</p>
1442	<p>1 bullet, I will tell you that the vast majority of 2 the time we stop that first half, which is 3 reviewing job documentation. So many of our 4 clients will say, we're going to provide you -- 5 you know, we want these 20 jobs to be -- to be 6 assessed. Here's the job descriptions. One of 7 the things we often ask is are they up to date, 8 is there anything that is missing from the job 9 description. Most often, the group we're working 10 with, whether it's HR or the operating 11 department, will just kind of provide any insight 12 to -- to that difference. 13 Beyond that, the other three or four 14 hashes that you see here are -- there are certain 15 times where you go and do a little bit more 16 in-depth type of analysis. So a direct 17 observation, I've seen that historically if 18 you're looking at blue collar jobs and you're 19 trying to develop, maybe, a skill-based pay. You 20 want to see the specific skills that are 21 involved. Not really relevant exactly here, but 22 we actually did part of that, interviews with</p>	1444	<p>1 you visited for the Postal Service? 2 A So this go-round, we went to New York, 3 Chicago, Miami and Fort Worth. We were asked to 4 do a similar assessment in, I believe it was, 5 2007, '8 kind of time frame, and at that point in 6 time, we went to Pittsburgh, New York City, Los 7 Angeles and Chicago and did on-site interviews as 8 well. 9 Q Could you please turn to Slide 5? 10 You already told me that you reviewed 11 the PPO job description. What did you learn 12 about the position based on your review of it? 13 A Right. So what I have on Slide 5, 14 1 through 9, is the actual front page that lists 15 the duties and responsibilities for the PPO job, 16 which is in Appendix B, but I just thought it 17 would be easier -- sorry for the font size. I 18 still tried to make it as large as I could. But 19 in essence, after the site visits, we confirmed 20 that these duties and responsibilities are up to 21 date, reflective of what the PPOs do. 22 You know, there's some -- I think what</p>

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

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

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1453	<p>1 process is then to compare the organization's pay 2 levels to the market data. And so the first row 3 is the April 2000 average base salary for the 4 PPOs, which is 53,171. The next row where you 5 see the 42,956, that was from the prior page, 6 which shows the market data, so that would 7 indicate a premium of about \$10,000 per employee, 8 or about a 24 percent pay premium to the market. 9 Q Okay. And you said April 2000. You 10 meant 2012, right? April 2012? 11 A I'm sorry, yes, April 2012. Thank you. 12 Q All right. So your overall conclusion 13 was that there was a wage premium? 14 A Yes. 15 Q Okay. Could you turn to Slide 11? 16 Did you have occasion to assess the PPO 17 position against the OPM Grade Evaluation Guide 18 for Police and Security Guard positions? 19 A Yes, we did. 20 Q And why did you do that? What happened 21 with that? 22 A So -- so one of the -- one of the</p>	1455	<p>1 old days, it used to be called the point factor 2 system. You have a number of factors about the 3 job, and then you assess each factor on a number 4 of levels. You total up the points, and if you 5 have two jobs that equal about the same number of 6 points, the view is those jobs are of equal value 7 and should be paid similarly. 8 So this was before -- it used to be -- 9 there's company called Hay, and they do a point 10 factor plan. They were very big in a lot of 11 large companies. And so the process that you go 12 through is to say, you know, knowledge, what's 13 required? Is it a Level 1 where it's, you know, 14 high school? Level 2 might be associate's. 15 Three might be a bachelor's. So you just assess 16 the job at each of those and you total up all the 17 points. Once you have the number of points, it 18 tells you it should be pay grade X. 19 Q Okay. And is the OPM guide attached to 20 the presentation? 21 A Yes. That is Appendix D. It's a 22 lengthy read of maybe 20-some pages.</p>
1454	<p>1 questions that was asked to me is, you know, how 2 do we look at this job. You match it to security 3 guard. You know, the title is PPO, Postal Police 4 Officer, what you consider police. And when we 5 looked through the first section to understand 6 the job, we looked at market data. 7 We did look a little bit through some 8 of the police descriptions and responsibilities 9 as well, and so, for reference purposes, looked 10 to see what would the federal government be 11 relative to this position. And the -- the 12 approach they used is a little bit different. 13 It's still a very valid approach, but it's a 14 little bit different than the process I just 15 walked through. 16 Q Okay. And can you just briefly give me 17 a little bit of background on the OPM Grade 18 Evaluation Guide? 19 A Sure. So -- 20 Q How does that work? 21 A Yeah. So, in essence, if you -- if you 22 look at the way these systems are set up -- the</p>	1456	<p>1 Q Okay. And then can you turn to Slide 2 12? What factors does the grade evaluation guide 3 take the user through to determine the grade of a 4 position? 5 A Right. So the OPM has these nine 6 factors. And, again, in the -- in the appendix, 7 they describe what is knowledge and what does 8 knowledge Level 1 mean and then what does Level 2 9 mean and Level 3, and you go through each of 10 those on an individual-by-individual basis. 11 Q Okay. 12 A So based on my experience with these 13 type of job evaluation systems, I went through 14 and took the PPO job through each of these 15 factors and scored each level and then the 16 resulting points. If you're Level 2, it's 200 17 points in knowledge. It's straightforward. 18 Q Okay. And what did you -- what rating 19 did you give the PPO position? 20 A Yeah. So you can see the second column 21 says the level. So if you were to look at -- all 22 the way back in the -- the guide itself on pages</p>

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

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

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1465	<p>1 private sector.</p> <p>2 MS. PENN: Thank you. That's all I</p> <p>3 have.</p> <p>4 MR. STEPHENS: Can we take ten minutes?</p> <p>5 ARBITRATOR OLDHAM: Yes.</p> <p>6 MR. STEPHENS: Thank you.</p> <p>7 (Brief recess.)</p> <p>8 ARBITRATOR OLDHAM: Okay, folks.</p> <p>9 MR. STEPHENS: Yes, sir.</p> <p>10 CROSS-EXAMINATION BY COUNSEL FOR</p> <p>11 THE</p> <p>12 UNION</p> <p>13 BY MR. STEPHENS</p> <p>14 Q Good morning.</p> <p>15 A Good morning.</p> <p>16 Q I'm Arlus Stephens. I'm an attorney</p> <p>17 for the Postal Police Officers Association, and I</p> <p>18 had a couple questions for you.</p> <p>19 A Certainly.</p> <p>20 Q Let me start off, first of all, if I</p> <p>21 could, by taking you in your -- in your -- your</p> <p>22 PowerPoint document up to -- I think it's -- I</p> <p>don't know if it's in the PowerPoint or not, but</p>	1467	<p>1 we've been asked to do is the -- what we just did</p> <p>2 here, the pay comparability piece with the</p> <p>3 report, and when appropriate, then present.</p> <p>4 Q So you -- when the post office asks you</p> <p>5 to do it for the mail handlers, you do it for the</p> <p>6 mail handlers; is that right?</p> <p>7 A Yeah. And I'm not trying to be -- but</p> <p>8 meaning the firm has been.</p> <p>9 Q Okay.</p> <p>10 A So when I started out -- when I started</p> <p>11 out in my 20s as an analyst, I was not presenting</p> <p>12 to the interest arbitration. It was John</p> <p>13 Sullivan --</p> <p>14 Q Okay.</p> <p>15 A -- but I was doing the analytics to</p> <p>16 collect some of the market data.</p> <p>17 Q I'm just looking at your slide.</p> <p>18 A Yes.</p> <p>19 Q It says, began working on -- this is</p> <p>20 your biographical; is that --</p> <p>21 A That's correct.</p> <p>22 Q Began working on pay comparability</p>
1466	<p>1 it's in your -- it's Appendix A --</p> <p>2 A Okay.</p> <p>3 Q -- which is your --</p> <p>4 A Yes.</p> <p>5 Q Is it correct that you -- well, let me</p> <p>6 ask you this: You -- you represented you've been</p> <p>7 hired by the post office on many occasions,</p> <p>8 correct?</p> <p>9 A Our firm has been, yes.</p> <p>10 Q Yes. And you represent, at the bottom</p> <p>11 of this Slide A-1, that you've been doing pay</p> <p>12 comparability for the post office for 23 years?</p> <p>13 A Our -- our firm has, yes.</p> <p>14 Q Okay.</p> <p>15 A And I've been involved with most of</p> <p>16 them --</p> <p>17 Q Okay.</p> <p>18 A -- for 23 years.</p> <p>19 Q So the -- you've provided -- and this</p> <p>20 is providing opinions for the post office in</p> <p>21 interest arbitrations?</p> <p>22 A Yes. That's -- that's -- yes. So what</p>	1468	<p>1 sites for USPS in 1991; is that correct?</p> <p>2 A That's correct.</p> <p>3 Q And your studies include the mail</p> <p>4 handlers; is that correct?</p> <p>5 A Yes.</p> <p>6 Q And the NPPN, is that the postal</p> <p>7 nurses?</p> <p>8 A Yes, that's right.</p> <p>9 Q So if they needed you to testify</p> <p>10 regarding postal nurses, you were able to compare</p> <p>11 something for the postal nurses, and you did so,</p> <p>12 correct?</p> <p>13 A Yes.</p> <p>14 Q And the same thing is true for the</p> <p>15 letter carriers; is that right?</p> <p>16 A Yes.</p> <p>17 Q And for the rural letter carriers, is</p> <p>18 that right?</p> <p>19 A I believe so, yes.</p> <p>20 Q Now, is it true for the letter carriers</p> <p>21 that the post office used to make its official</p> <p>22 economic comparison to paperboys, that that</p>

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1469	<p>1 was --</p> <p>2 MS. PENN: Objection. This is way</p> <p>3 beyond the extent of direct.</p> <p>4 MR. STEPHENS: I'm just asking if he</p> <p>5 was involved in that.</p> <p>6 THE WITNESS: No.</p> <p>7 BY MR. STEPHENS</p> <p>8 Q All right. I'm going to hand you an</p> <p>9 exhibit if I could, sir. We'll mark this as</p> <p>10 Union Exhibit 103.</p> <p>11 Now, do you recognize this document?</p> <p>12 A I do.</p> <p>13 Q Now, what is this document?</p> <p>14 A This is my biography, which probably</p> <p>15 came from our website.</p> <p>16 Q Okay. And is it fair to say that --</p> <p>17 this describes you as having a -- a health care</p> <p>18 focus; is that right?</p> <p>19 A Yes.</p> <p>20 Q In the health care industry?</p> <p>21 A Uh-huh.</p> <p>22 Q Compensating -- it focuses on studying</p>	1471	<p>1 to your -- the presentation. And my first</p> <p>2 question is regarding page 3 of -- if I could</p> <p>3 turn -- if you can direct your slide to -- yes,</p> <p>4 sir.</p> <p>5 A All right.</p> <p>6 Q Now, is it fair to say that in order to</p> <p>7 accomplish steps two, three, four and five, the</p> <p>8 absolute imperative is to be correct on step one;</p> <p>9 is that right?</p> <p>10 A Yes, that would be correct.</p> <p>11 Q Now, if I turn you to the next page --</p> <p>12 now, I believe you testified that you tried to</p> <p>13 undertake to get an understanding of the job; is</p> <p>14 that right?</p> <p>15 A Could you rephrase that?</p> <p>16 Q I'm sorry. I'll say it again.</p> <p>17 I believe you testified that you tried</p> <p>18 to get an understanding of the job, tried to</p> <p>19 understand what the job was; is that correct?</p> <p>20 A Yes.</p> <p>21 Q Because it would be imperative to get</p> <p>22 that in order to do steps two, three, four and</p>
1470	<p>1 compensation of employees who work in hospitals,</p> <p>2 for example; is that right?</p> <p>3 A Yes.</p> <p>4 Q Okay. Is there any mention here about</p> <p>5 law enforcement assessments?</p> <p>6 A No.</p> <p>7 Q I mean, is it -- and -- or, for</p> <p>8 example, is it true -- fair to say that -- well,</p> <p>9 let me back up for a second.</p> <p>10 Do you know why you were retained to</p> <p>11 provide an opinion regarding the Postal Police?</p> <p>12 A So our -- our firm focuses on the</p> <p>13 analysis, assessment and design of compensation</p> <p>14 programs, and part of that is to understand the</p> <p>15 job, make the match, familiarity with the surveys</p> <p>16 and the survey process.</p> <p>17 Q And familiarity with the post office</p> <p>18 from doing this --</p> <p>19 A From prior, yes.</p> <p>20 Q -- in other -- other cases, correct?</p> <p>21 A Yes.</p> <p>22 Q Okay. If I can direct you back, sir,</p>	1472	<p>1 five?</p> <p>2 A You're absolutely right. And most</p> <p>3 organizations would say they start off with their</p> <p>4 job documentation, which is the job description</p> <p>5 that describes the duties and responsibilities of</p> <p>6 the job and the knowledge required -- you know,</p> <p>7 the skills required to do that job.</p> <p>8 Q Okay. And this -- are you aware that</p> <p>9 the job description for the Postal Police was one</p> <p>10 that was created in 1990 and has not been updated</p> <p>11 since then?</p> <p>12 A I don't know what the effective date of</p> <p>13 the -- the job description is.</p> <p>14 Q But the one you relied on, I believe</p> <p>15 you say it was set forth in Appendix B; is that</p> <p>16 right?</p> <p>17 A That's right.</p> <p>18 Q And if we could turn there for a</p> <p>19 moment -- that's in Appendix D -- I don't know if</p> <p>20 you have -- you probably don't have a slide for</p> <p>21 that.</p> <p>22 A No, I -- well, this is -- this is the</p>

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

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

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

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

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

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

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



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

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1509	<p>1 surveys a year that go out, and their estimates 2 are based on a three year rolling average of 3 those surveys. Those establishments represent 4 about 62 percent of the American workforce. And 5 what's provided with the OES is detailed wage and 6 employment estimates by sector, industry and 7 locality. 8 So, turning to Slide 5, this is a 9 summary of a report from OES on security guards. 10 And, again, OES provides very detailed 11 information on the number of employees that 12 perform a job and -- in a sector in which they 13 work. So you can see here for the occupation 14 security guard -- got it -- the breakdown of 15 private sector, federal sector, state and local. 16 You can see the overwhelming majority of 17 sector -- of security guards work in the private 18 sector, the mean average salary of about 19 \$27,000 a year. There are some federal sector 20 security guards and -- and a larger number at the 21 state and local level. 22 This is a distribution of wages. It</p>	1511
<p>1 shows the wages by sector at the 10th, 25th, 2 50th, 75th and 90th percentile. And what you can 3 see here and what you can gather from here is 4 that, at least with private sector security 5 guards, that there is a wide range of wage rates, 6 from the lower end of 17,000 a year up to, at the 7 90th percentile, about \$41,000 a year. 8 It's obvious from -- from testimony 9 we've heard that security guard is a very general 10 occupation that covers a wide variety of workers, 11 those from -- from, you know, your -- your mall 12 security guard up to a security guard at a -- for 13 example, a nuclear power plant. So it covers a 14 lot of ground. There's no question that our 15 Postal Police Officers would be at the higher end 16 of that distribution, and I think it's useful to 17 look at -- at the wages at the -- at the higher 18 end there. 19 You also see federal, state and local 20 comparisons there, and at the bottom, you can see 21 that the average PPO salary, as we've seen 22 before, is about \$53,000 a year.</p>	<p>1 Q Now, the Postal Police has taken the 2 position that they are not as much like security 3 guards as they are like police officers. You 4 looked at that as well. 5 A I did. And OES also has an occupation 6 for police and sheriff's patrol officers. Again, 7 it breaks it down, and by sector here, you can 8 see there are about 5,000 -- 4,880 private sector 9 police and sheriff's patrol officers who earn an 10 average salary of about 52,000 a year. 11 There are a relatively small number of 12 federal police officers, not that much greater 13 than the private sector police officers, about 14 12,000 -- about 13,000 a year. The overwhelming 15 majority -- and they also earn about \$52,000 a 16 year on average. The overwhelming majority, as 17 you would expect, of police and sheriff's patrol 18 officers are at the state and local level, 69,000 19 state police officers, 545,000 local police 20 officers. 21 A thing to note here is that they also 22 make considerably more than their private sector</p>	1512

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

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1517	<p>1 they have five different levels, Level 1 through 2 Level 5. They have the overall average for the 3 security guard, about 11.69 an hour. But at a -- 4 at a Level 5, which corresponds to GS-5, it's 5 about \$19 on hour. And that compares to a PPO 6 mean hourly range of about \$25.70 an hour. 7 Q Does GS-5 also correspond to what we've 8 heard referred to as the GS-85 series? 9 A It does, yes. And, also, GS-5 is -- 10 you'll recall the testimony of Tom Pavlik before 11 lunch, who testified that based on the -- the 12 classification guide for -- the OPM 13 classification guide, they -- he rated the job at 14 a security guard Level 5. 15 Q I think that, at this point, if the -- 16 you'd like to reference Exhibit No. 2, which is 17 Table 9, so it's Tab I, Exhibit 2 in Volume 2. 18 And once the panel's there, you can tell us how 19 that exhibit relates to this -- 20 A This is -- 21 Q -- slide. 22 A -- just the source document for the</p>	1519	<p>1 police and sheriff's patrol officers. 2 Q And what do the PPOs make? 3 A \$25.70 an hour. That's compared to the 4 PPO mean average hourly wage of \$25.70 -- 5 Q And -- 6 A -- an hour. 7 Q -- just to make sure that we're -- 8 we're clear, this is just wages, right? 9 A These are just wages, correct. 10 Q So, turning to Slide 12, this is a 11 familiar topic. 12 A Yes. We've heard a couple of times 13 about DoL, Department of Labor wage 14 determinations under the Service Contract Act. 15 Again, the Service Contract Act requires federal 16 contractors to pay local prevailing wages. I 17 think I heard them characterized earlier as a 18 minimum wage or some sort of, you know, bare 19 minimum wage that could be paid, but it's not. 20 It's a local prevailing wage. It's similar to 21 the Davis-Bacon Act local prevailing wage 22 stipulation that, you know, you have to take what</p>
1518	<p>1 data that I presented on the slide. This is just 2 the page -- the National Compensation Survey, the 3 full survey itself is about a thousand pages. 4 They cut it a lot of different ways. But this 5 shows the private sector workers, mean hourly 6 earnings. You can see -- a little more than 7 halfway down the page, you see the security 8 guards, Level 1, 2, 3, 4, 5, and that data 9 corresponds to what was on the slide. 10 Above that, you can see the police 11 officers and a subcategory, police and sheriff 12 patrol officers, Level 5 and Level 6, and we'll 13 be getting to that on the next slide. 14 Q Let's go ahead and go there now. 15 A Here we go. These are those -- these 16 are the private sector police and sheriff's 17 patrol officers. These correspond to those 4,880 18 private sector police officers that we saw in 19 the -- in the Occupational Employment Statistics. 20 On average, they make 19.83 an hour. Level 5 is 21 18.74 an hour; Level 6, \$20.23 an hour. So it's 22 about \$20 an hour on average for private sector</p>	1520	<p>1 the central tendency, the mean or the median of 2 the wages for that occupation in that locality. 3 Department of Labor conducts these 4 studies to determine the prevailing wages, and 5 what they use is -- is essentially the OES and 6 the NCS. They include an amount for fringe 7 benefits. And the act itself requires that due 8 consideration be given to the wage rates that we 9 would be paid if that work were done by a federal 10 worker, someone on the GS schedule. So they 11 do -- a federal grade equivalency is what they 12 call it. They'll take a job classification, and 13 they will correspond that -- they'll do a 14 corresponding -- the equivalency to the GS pay 15 schedule. 16 MS. GONSALVES: And just for the 17 panel's reference -- but we won't need you to 18 turn there -- Exhibit 3, behind Exhibit 3, is the 19 DoL Prevailing Wage Resource Book, which Joe just 20 referenced. 21 THE WITNESS: This is also something 22 we've seen. The Union had it as an exhibit.</p>

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

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

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

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1533	<p>1 sector and -- and the federal sector. And you'll 2 see the acronym "JOLTS" there. That's a survey 3 that's developed by the Bureau of Labor 4 Statistics. It stands for Job Openings and Labor 5 Turnover Survey. It's a very widely-used survey. 6 It's widely watched. The private sector 7 voluntary quit rate so happens to be Janet -- 8 Janet Yellen's favorite indicate of the health of 9 the job market in the private sector. 10 But if you look at the PPOA quit rates 11 relative to other bargaining units, they -- they 12 are similar. They're not exact. They are, you 13 know, in general, marginally higher than -- than 14 other bargaining units, but not -- not -- not 15 much. They're much, much lower than the private 16 sector quit rate. And I think it's important to 17 note that Postal Service quit rates and, in 18 particular, for PPOA, are just a fraction of the 19 voluntary quit rates that we see in the federal 20 sector. 21 ARBITRATOR OLDHAM: Hold up a minute, 22 please. Are the -- are the entries on the rows</p>	1535	<p>1 over time, exactly equivalent to the numbers 2 above it? 3 THE WITNESS: The way they classify -- 4 yes. The way they classify a voluntary quit is 5 identical. 6 ARBITRATOR DUFEK: So you're comparing 7 apples to apples in your -- 8 THE WITNESS: Apples to apples. 9 ARBITRATOR DUFEK: -- in your view? 10 THE WITNESS: Yes. Yes. And I -- I 11 actually have some e-mail correspondence with an 12 economist on -- on the JOLT staff at BLS to 13 confirm that. I don't have it with me, but I do 14 have that. 15 ARBITRATOR DUFEK: And your other 16 testimony that other aspects of the JOLT survey 17 go into other -- other -- 18 THE WITNESS: Yes. 19 ARBITRATOR DUFEK: -- categories, if 20 you will. 21 THE WITNESS: Yes. And, you know, they 22 look at separations. Separations include</p>
1534	<p>1 that are designated JOLTS comparable to the 2 entries on the above rows? 3 THE WITNESS: Yes. The definition of 4 quits in -- in JOLTS is the same as the one 5 employed by the Postal Service and the federal 6 government, OPM. And OPM does a number of cuts 7 on -- in JOLTS does a number of cuts on quit 8 rates for various sectors, industries, types of 9 workers. 10 ARBITRATOR OLDHAM: So job openings and 11 labor turnover is synonymous with quit rate? 12 THE WITNESS: No. Job Openings 13 and Labor Turnover Survey -- quit -- voluntary 14 quit rate is one thing that they measure. They 15 also look at new hires. They look at other 16 separations. It's a very broad survey that looks 17 at movement, I guess, in -- or developments in 18 the -- in the labor market. So they look at the 19 number of job openings, for example, and -- 20 ARBITRATOR DUFEK: What we're trying to 21 figure out is, is the JOLT number that you put 22 into the private sector, the 26.7 to 22.3 ranging</p>	1536	<p>1 voluntary quits. They include retirement. They 2 include, you know, other things, other types of 3 separations, dismissals, you know, terminations 4 for cause, things like that. But they also -- 5 you know, JOLTS is a fairly, like I said, broad 6 survey. They look at job openings in the 7 economy, how many people are hired, you know, 8 those sorts of things. 9 ARBITRATOR OLDHAM: Well, now you're 10 getting me confused, because I'm -- I'm looking 11 at your derivation of the figures for the unions 12 in the units here, and that goes back to page 17, 13 and you derived those numbers from at least two 14 types of movements, right, resignations and 15 transfers? 16 THE WITNESS: Uh-huh. 17 ARBITRATOR OLDHAM: But haven't you 18 just told me that JOLTS includes other things as 19 well? 20 THE WITNESS: The voluntary quit rate 21 includes resignations or transfers to another -- 22 outside of the establishment.</p>

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

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

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

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

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

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

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

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

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

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

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1577	<p>1 rejected the internal equity argument of the APWU 2 in his award. He did find a wage premium for IS 3 workers in general and awarded the wage package 4 that included moderate restraint. 5 Q Let's turn to Slide 38, the Goldberg 6 award, which is behind Exhibit 15. 7 A The 1998 agreement with the APWU is 8 only a two-year agreement, so it -- it expired in 9 November of 2000, about a year after -- following 10 the Fleischli award. This was a -- a central 11 issue of -- of that negotiation and interest 12 arbitration was the APWU's very strong demand for 13 catch-up to the historical standing that they had 14 as -- as with City Letter Carriers. 15 Arbitrator Goldberg, like Arbitrator 16 Collins before him, explicitly rejected that 17 demand. I think we heard testimony from 18 Professor Belman last week that Arbitrator 19 Goldberg somehow gave them an upgrade with a wink 20 and a nod and just didn't call it that, but I 21 think Arbitrator Goldberg was very, very explicit 22 about his reasoning.</p>	1579	<p>1 It's page 7. I -- I said page 8. I meant page 2 7. It says B, analysis. Okay. 3 Initially, I reject the APWU argument 4 that the panel should consider the wages paid to 5 carriers in determining the appropriate wages for 6 clerks. He goes on to say, While internal 7 comparability may be relevant to minimized 8 workplace tension, the Postal Reorganization Act 9 requires that the panel focus on external 10 comparability, wages and benefits paid in the 11 private sector, not on internal comparability or 12 internal equity. So I think Arbitrator Goldberg 13 was very clear on that point. 14 Arbitrator Goldberg went on in his 15 award to find that a wage premium did exist for 16 APWU represented employees and awarded a wage 17 package that was based on that -- that finding. 18 BY MS. GONSALVES 19 Q Are you ready to turn to Exhibit 16, 20 the Wells award? 21 A Yes. 22 Q I don't think we'll actually be turning</p>
1578	<p>1 And if we turn to the supplemental 2 award, which is -- and I apologize for this, 3 but -- he issued an award and then -- on the 4 general issues and then a supplemental award on 5 the economic issues about a month later. 6 Q You'll see the -- the numbering repeat. 7 So it's Exhibit 15. You'll see the first award 8 is 30 pages, and the supplemental award starts 9 right after that. 10 A And if you turn to page 8 of that 11 supplemental award, I think -- Arbitrator 12 Goldberg's disposed of that argument for internal 13 equity in the first paragraph at the top of 14 that -- in the first sentence at the top of that 15 page. Initially, I reject the APWU argument -- 16 ARBITRATOR DUFEK: Wait a minute. I'm 17 not -- you're on the -- 18 MS. GONSALVES: Are you on the second 19 one? 20 ARBITRATOR DUFEK: -- wrong page or 21 something. 22 THE WITNESS: It's page 7. I'm sorry.</p>	1580	<p>1 to any specific language in Exhibit 16. 2 A Shortly after or concurrent with the -- 3 our -- APWU interest arbitration before 4 Arbitrator Goldberg, the Rural Letter Carriers 5 were also in interest arbitration before John 6 Calhoun Wells. They too also argued for internal 7 equity. They -- they -- they argued that their 8 pay should be comparable to that of City Letter 9 Carriers. After all, they performed the same -- 10 essentially the identical function as a City 11 Letter Carrier. 12 Arbitrator Wells again, on page 9 of 13 the award, discusses that argument and what -- 14 what the appropriate measure of comparability 15 ought to be. Under the section called "parity" 16 there, he said the parties spent considerable 17 time and effort addressing the issue of parity or 18 raising the pay of carriers to the Level 6 pay of 19 City Letter Carriers. The panel rejects the 20 argument that pay decisions are dictated by the 21 collective bargaining results obtained by other 22 parties and other labor agreements with the</p>

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1581	<p>1 Postal Service. Rather than internal parity, the 2 PRA requires comparability with the private 3 sector. We have been presented with ample -- 4 presented ample evidence in these proceedings 5 that the differences which arose over time in 6 pay, benefits and work rules are the direct 7 result of the differences in priorities the 8 various parties placed on obtaining particular 9 contract provisions. These differing priorities 10 led to differing results. This is the nature of 11 the collective bargaining process. 12 Q And what did he decide as to the wage 13 premium? 14 A He did find that -- that Rural Letter 15 Carriers enjoyed a wage premium relative to the 16 private sector and -- and awarded a pay package 17 to reflect that. 18 Q The 2008 Fishgold award is Joint 19 Exhibit 2. 20 A We'll be talking more about the 21 Fishgold award a little bit later, but it is part 22 of the interest arbitration history that I think</p>	1583	<p>1 employees, wage and benefit premium. 2 Another precedent that I think has been 3 well established is that private -- that private 4 sector comparability mandate applies to all 5 bargaining unit employees, including Postal 6 Police Officers. 7 A third that's very clear from the 8 interest arbitration here, the history, is that 9 internal comparability or catch-up with -- or 10 internal equity or whatever you want to call it 11 is -- is not appropriate. 12 ARBITRATOR OLDHAM: So if you're 13 telling us that the wage premium has been firmly 14 established as a precedent, aren't you 15 essentially arguing comparability to internal 16 units? 17 THE WITNESS: Wage premium relative to 18 private sector employees doing similar levels of 19 work. I'm not sure that that -- I guess I'm not 20 sure what you're asking. 21 ARBITRATOR OLDHAM: I may not be, 22 either. I'm trying to understand the word</p>
1582	<p>1 is worth discussing in this proceeding. 2 Arbitrator Fishgold also explicitly rejected 3 comparability with public sector police that the 4 union was arguing for at the time. A couple of 5 quotes here. It is clear that the Postal 6 Reorganization Act requires that pay comparisons 7 be made to the private sector, not to the public 8 sector. 9 He goes on to say, The panel cannot 10 ignore its statutory mandate. As is in the case 11 with other postal positions, the evidence needed 12 in an interest arbitration proceeding must 13 evaluate the wages and benefits that are provided 14 for similar work and/or similar skill levels in 15 the private sector of the economy. 16 Q So could you please conclude Section 2 17 of your presentation? 18 A Yes. I think there's three precedents 19 that are -- that are useful to -- to highlight 20 here. The first, there's been a firmly 21 established precedent of general wage -- of 22 general wage premium that exists among postal</p>	1584	<p>1 "precedent" with regard to wage premium, and I 2 suppose, in one sense, I'm asking that because I 3 have less experience than some with regard to 4 major interest arbitration processes. And it 5 seems to me that it's unlike grievance 6 arbitration systems within a given relationship, 7 where regular precedent, as we know it in the 8 law, often attaches. 9 And we're not claiming that in these 10 awards, are we? 11 THE WITNESS: No, we're not. 12 ARBITRATOR OLDHAM: Yes. 13 THE WITNESS: No, we're not. 14 MS. GONSALVES: It's more of -- 15 THE WITNESS: But I will say that -- 16 that comparability is an issue in every interest 17 arbitration, the comparability to the private 18 sector counterparts for that particular -- those 19 particular workers. That is an issue. 20 When arbitrators have ruled on the 21 comparability issues -- and not all of them do -- 22 some of them side step that issue all together.</p>

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

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

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

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

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1601	<p>1 in two different ways. One was -- the first was  2 through a two-tier wage schedule for future  3 career employees. So what this means is that it  4 did not impact the current career workforce, but  5 in the future, career employees would come in at  6 a lower starting salary and top out at a lower  7 top step salary.  8 It also included a -- a very large  9 increase in the non-career workforce. And the  10 non-career workforce, in case it's not obvious,  11 is a workforce -- it's a supplemental workforce,  12 supplements our full-time workforce. They're low  13 cost. They're not career employees. There's  14 no -- they have a limited amount of benefits, no  15 pension benefits, for example, but they -- we  16 were able to -- to increase the use of them up to  17 20 percent in the clerk craft, 10 percent in the  18 two smaller crafts in the APWU. Overall average  19 of our non-career workforce went from about  20 3 percent of -- of the workforce up to  21 17 percent.  22 ARBITRATOR OLDHAM: And these are both</p>	1603	<p>1 ARBITRATOR DUFEK: That's fine.  2 MS. GONSALVES: It's Exhibit 17 in  3 Volume 3.  4 BY MS. GONSALVES  5 Q Could you use that exhibit to  6 illustrate the workforce structure changes --  7 A Sure.  8 Q -- once -- once everybody's turned  9 there?  10 A So this is a sum --  11 Q Wait.  12 A Excuse me.  13 MS. GONSALVES: It's Volume 3, Bob.  14 ARBITRATOR DUFEK: Yeah, I think I got  15 it.  16 MS. GONSALVES: Okay. Good.  17 ARBITRATOR OLDHAM: We're with you.  18 THE WITNESS: Okay. So what you see  19 here is a summary of the -- of the -- of the  20 salary table that was negotiated with the APWU  21 effective on the contract implementation  22 agreement in May of 2011.</p>
1602	<p>1 temporary and full-time temporary workers?  2 THE WITNESS: You know, I think if you  3 had to classify them, you'd say they were  4 temporary workers. They're not -- we utilize  5 them -- essentially, we try to maximize the  6 utilization of them. Since we have a limited  7 number that we can use, we try to use them 40  8 hours a week where possible. So -- but they're  9 temporary workers in that they -- they -- they  10 serve 360-day terms. They have to be reappointed  11 to a new term every -- every year.  12 ARBITRATOR DUFEK: Could you tell the  13 panel, on balance, how that two-tier wage  14 schedule reduced compensation?  15 THE WITNESS: Well, I'd like you to  16 turn to an Exhibit 72 that I want to talk to you  17 about --  18 ARBITRATOR DUFEK: Okay. That's fine.  19 THE WITNESS: -- that it shows that  20 specifically, and I --  21 MS. GONSALVES: Yeah. I was just going  22 to ask him to go there.</p>	1604	<p>1 And what you'll see on the -- on the  2 left-hand column there is the grade. The APWU  3 represents a lot of different employees at  4 several different grades, Grades 3 through 11,  5 with most of them being in six. The overwhelming  6 majority are at Grade 6. Those are your window  7 clerks, your distribution clerks, whatever. Now,  8 it's highlighted in yellow because that has  9 historically been the grade that's associated  10 with Postal Police Officers. They've been fairly  11 equivalent over time.  12 What you see in that first section is  13 -- is the entry and top step for existing career  14 employees. So you'll see, at Grade 6, under  15 that, the old schedule, a career employee came in  16 at \$40,558, topped out at the maximum salary,  17 \$53,102. Now, what was negotiated is in the  18 middle column for new -- new career employees.  19 And you'll see, for that same Grade 6 employee,  20 we reduced the starting salary from \$40,558 down  21 to \$35,182. But not only that, we negotiated --  22 we were able to negotiate a lower top step</p>

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1605	<p>1 salary. So they all top out at \$48,622 rather 2 than \$53,102. If you see -- in the right-hand 3 column, you will see the percentage reductions 4 there.</p> <p>5 Now, I'll note that 9 through 11 are 6 skilled maintenance position -- positions and our 7 electronics technicians, our tractor trailer 8 drivers, our, you know, other -- other skilled 9 positions that we were essentially at market for, 10 and there was not a -- a reduction in their 11 starting salary or top step. But they represent 12 a small percentage of the total overall 13 workforce.</p> <p>14 The other thing I'd like to point out 15 here -- and this is responsive to -- to an issue 16 that the Union has raised, and that's that Postal 17 Police Officers -- the differential between 18 Postal Service custodians and Postal Police 19 Officers is small. And I'd like to point out 20 that custodians are in Grades 3 and 4. Most of 21 them are at four. The vast majority are at Grade 22 4. And under the existing pay schedule for</p>	1607	<p>1 that -- that issue.</p> <p>2 And I'd also like to point out that, 3 you know, this -- this -- the extraordinary high 4 salaries that we pay our custodians didn't happen 5 overnight. It happened over a long period of 6 time for a number of different reasons. One of 7 those reasons that I think the majority or a very 8 large proportion of Postal Service custodians are 9 disabled veterans, and there was, you know, an 10 understandable disinclination to go after them 11 too hard. So, you know, I think that that 12 occurred over time, and that partially explains 13 why that was allowed to happen.</p> <p>14 What you see in the table at the bottom 15 of that page there is the rates, the hourly rates 16 paid to the new category of non-career employee. 17 We call them postal support employees in the APWU 18 craft, PSEs. You can see, at Grade 6, where most 19 of them are hired, they make \$14.60 an hour. We 20 can use those, again, up to 20 percent of the 21 workforce in the clerk craft, and they receive a 22 minimum amount of benefits. They receive some</p>
1606	<p>1 career employees, they started out about 2 \$35,000 a year and topped out at 51,000 a year at 3 Grade 4.</p> <p>4 Now, that is close to -- to Postal 5 Police Officers make. It's close to what APWU 6 Grade 6 makes. There's a couple thousand dollars 7 difference. And we would agree that that 8 differential probably is too small, but it's not 9 for the reasons that the union is suggesting.</p> <p>10 It's not that Postal Police Officers are 11 underpaid. It's that postal custodians are -- 12 are very much overpaid. I don't think there's 13 any way around it. Postal Service pays 14 custodians 25, \$26 an hour on average at the top 15 step, and the market wage for a custodian is far, 16 far less than that.</p> <p>17 But we did address that, and if you'll 18 notice that in the new career salary schedule, we 19 reduced the entry-step wage for postal 20 custodians, future postal custodians, by 21 23 percent, and we reduced the top step wage by 22 12 percent. So the Postal Service has addressed</p>	1608	<p>1 paid leave benefits if they've been on the rolls 2 for a year, and under the Affordable Care Act 3 will receive some measure of health benefit 4 contributions from the Postal Service. But 5 they're far cheaper than career employees.</p> <p>6 BY MS. GONSALVES</p> <p>7 Q What about the projected cost savings 8 under -- for the APWU agreement?</p> <p>9 A Well, at the time we reached the 10 agreement, the projected cost savings over the 11 term of the agreement with the APWU were 12 \$3.8 billion.</p> <p>13 Q And that's over the -- the term? I 14 think you said that.</p> <p>15 A Over the term, yes.</p> <p>16 Q Okay. Let's talk about the Rural 17 Letter Carriers in the Clarke award.</p> <p>18 A The Rural Letter Carrier contract also 19 expired November 2010. The parties were unable 20 to reach an agreement in negotiations or in 21 mediation and went to interest arbitration before 22 Jack Clarke in -- in late 2011, December 2011.</p>

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

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1613	<p>1 can see there are two -- two -- two rows there.  2 One is the -- the career employee, the 40-hour  3 career full-time employee, with an entry-step  4 salary of 40,454, top step salary, 52,061. Under  5 the new -- terms of the new contract, future  6 career employees will be hired at a 13 percent  7 lower starting salary, \$35,000, and top out at --  8 at slightly less than \$48,000, a 9 percent  9 reduction.</p> <p>10 The non-career complement is listed on  11 the next line there. The current -- the then  12 existing group of non-career employees earned  13 either \$19.45 an hour or \$22.97 an hour. Like I  14 said, they received regular COLA payments at the  15 end of the contract.</p> <p>16 But the new employees coming in will  17 receive \$15.56 an hour, which represents a  18 reduction of 20 to 32 percent for those  19 employees. In addition, they will not receive  20 COLA.</p> <p>21 Q Okay. Turning back to Slide 63 --  22 ARBITRATOR OLDHAM: Fifty-three.</p>	1615	
1614	<p>1 BY MS. GONSALVES  2 Q Fifty-three. Sorry. No bifocals. And  3 I don't want to throw Bob into a -- make him have  4 a temperature or anything, but the next bullet  5 talks about work standards. I don't think you  6 want to dwell on that --</p> <p>7 A Yeah. The system is a different  8 animal. Rural carriers get paid according to a  9 set of 40 standards that -- they get time for --  10 for performing each and every function during the  11 day and -- and those standards determine how much  12 they get paid. Now, they're not on the clock, so  13 if it takes them less time or more time, they  14 still get the same salary. Some of those  15 standards, though, were -- were -- were -- they  16 were not engineered standards. They'd been  17 around in some cases for 50 or 60 years, and they  18 just weren't reflective of the time it took to do  19 that work.</p> <p>20 The Postal Service argued for changes  21 in many of those standards and received some of  22 what they asked for in his award. And all told,</p>	<p>1 the savings in the rural carrier contract are  2 expected to be \$1.6 billion over the term of the  3 agreement.</p> <p>4 ARBITRATOR DUFEK: Before you leave  5 that point, I think it is important for the panel  6 to understand that one of the memoranda of  7 understanding that was entered into and  8 incorporated into the Clarke award and was  9 actually written by the panel was a comprehensive  10 study of those standards by three industrial  11 engineers, all of whom, at one point or  12 another -- two of the three testified in the  13 proceeding; the third was chosen by those two --  14 so that those standards could be updated and --  15 and so that modern electronic equipment could be  16 put on the rural vehicles that would assist the  17 parties in understanding time for box allowance,  18 mileage, stops and starts, and a whole, you know,  19 panoply of other considerations. That study is  20 ongoing as we speak.</p> <p>21 BY MS. GONSALVES  22 Q So let's turn to the City Letter</p>	1616

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

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1621	<p>1 people that are either eligible to retire right 2 at this moment or eligible to retire within the 3 next five years, a majority. 4 So, you know, they don't quit and our 5 quit rates are very low, but most attrition comes 6 through retirement. The overwhelming of majority 7 of attrition comes through retirement, and we 8 will see increasingly more people retire. 9 ARBITRATOR OLDHAM: But then you have 10 to pay retiree benefits. 11 THE WITNESS: We'd have to pay that 12 regardless. And we funded those. I mean, those 13 are -- those are funded through our CSRS 14 contributions, so we pay those on a pay -- not on 15 a pay-as-you-go basis. We prefund CSRS and 16 pension benefits, and now we're, in one fashion 17 or another, funding retiree benefits. So the 18 funding of that's been a little more problematic, 19 but... 20 ARBITRATOR DUFEK: I just have one 21 comment. I think it would help the panel to 22 appreciate the significance of this CCA consent,</p>	1623	<p>1 at some future time. 2 The other thing is does, though, is it 3 gives us tremendous flexibility, especially in 4 delivery, to -- to -- to go after new product 5 opportunities. We've -- we've reached any number 6 of memoranda of understanding with the union, 7 with the NALC, on the use of career -- non-career 8 employees, CCAs. For -- for example, the -- the 9 over -- the same-day delivery test that was done, 10 the Sunday delivery test, I think we're using 11 CCAs almost exclusively, if not exclusively to -- 12 ARBITRATOR DUFEK: With Amazon? 13 THE WITNESS: -- with Amazon to do 14 that. So -- so, you know, this allows us an 15 opportunity to experiment, to -- to provide more 16 flexibility, to -- to -- to meet market needs as 17 they arise. Of course, it requires agreement 18 with the union, but, you know, I -- I can't speak 19 directly to that. I've not been involved in 20 those negotiations, but we have reached a number 21 of agreements to utilize them in that fashion. 22 So, operationally, financially, it</p>
1622	<p>1 not just because of the dramatic cost reductions 2 and because of the substantial increase in use, 3 but their significance to the terminology of 4 transitional employee and CCA. 5 And I'd like you just to, you know, 6 without going into great depth, make sure that we 7 understand the structural -- the permanence -- 8 the permanence of the structural change going on. 9 THE WITNESS: One of the things that 10 was negotiated with the new career workers in all 11 of our units was that they would serve as a feed 12 to -- to future career employees. 13 So the APWU workforce, for example, 14 they -- they weren't represented by the union. 15 They had a casual workforce, which were, you 16 know, at-will employees not represented by the 17 union. Now these are bargaining unit employees, 18 and -- and same thing with the City Letter 19 Carriers. So there's that aspect of it, but the 20 creation of the CCA also -- so there is a career 21 track, if you will, for these people, and they 22 will become career or may become career employees</p>	1624	<p>1 just -- it just makes absolute perfect sense. 2 This is a terrific boon to -- terrific 3 accomplishment in this last round of 4 negotiations. 5 ARBITRATOR DUFEK: And as long as we 6 have you on that topic, the term "core function" 7 has been used periodically and non-core function, 8 and I wanted to make sure the panel understands 9 from a labor economist vantage point what we're 10 talking about, because, obviously, it's not meant 11 to impugn one side or the other. 12 But what are you talking about there? 13 THE WITNESS: No, it's -- you know, 14 it's a simple concept that without -- without 15 delivery, there is no Postal Service. That's a 16 core function. You know, our business is 17 delivery. We have posters -- we used to have 18 posters throughout this building that said that, 19 our business is delivery -- or delivery is our 20 business. Excuse me. But, you know, that's -- 21 that's a core function. That's what the Postal 22 Service does. I think you can say that for our</p>

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1625	<p>1 retail occupations, and for many of the 2 mail processing operations, maybe less so. But, 3 you know, the core/non-core distinction is -- you 4 know, it gets at the essence of what you do, 5 and -- and it is not a disparaging term. It's 6 just a -- it's a descriptive term. 7 ARBITRATOR DUFEK: Thank you. 8 BY MS. GONSALVES 9 Q And what are the estimated savings 10 resulting from this contract? 11 A The NALC award is expected to save 12 \$6 billion over the terms of the contract. 13 Q Last but not least, the Mail Handler 14 award by Fishgold is Joint Exhibit 6. 15 A In February of 2013, Fish- -- 16 Arbitrator Herb Fishgold issued his award for the 17 Mail Handlers. Like the contract before him and 18 the arbitrators before him, he awarded the same 19 wage and benefit terms as -- as the other units 20 got, and he did so explicitly. And here's an 21 excerpt from Arbitrator Fishgold's award. 22 He said, A review of the past</p>	1627	<p>1 But -- but with that came a modification in the 2 COLA formula where future career employees will 3 get COLA payouts up to -- up to 35 percent less 4 than -- than current employees will. 5 Q Exhibit 20 -- excuse me. Exhibit 20 is 6 the corresponding chart? 7 A Yes. And this is similar to the others 8 that we've seen. Mail Handlers are in Grade 4 9 and Grade 5. Most of them are at Grade 4. Under 10 the current salary structure, they were stuck 11 coming in at salary of almost \$33,000 a year and 12 topping out at about \$53,000 a year. Under the 13 new salary table, new career employees will come 14 in at a slightly lower starting salary, \$30,400. 15 That's reduction of 7.7 percent. 16 Now, I'd like to point out that in the 17 2006 contract negotiations with the APWU, the 18 parties agreed on a much, much lower starting 19 salary for incoming mail handlers in -- in that 20 agreement in exchange for an additional top step. 21 So their starting salary was already low, as you 22 see, \$33,000 a year. It was about 16.50 an hour.</p>
1626	<p>1 agreements negotiated between these parties and 2 the awards issued by arbitrators in various 3 interest arbitrations make clear that the terms 4 of this award should not be set without reference 5 to other negotiations and awards that occurred 6 during the same round of collective bargaining. 7 So he explicitly looked at -- at -- at the wage 8 and benefit pattern that had been set and -- and 9 based his award on that. 10 Q What were the terms of that award, 11 turning to Slide 56? 12 A Other than the -- the wage and 13 benefits, the workforce structure, again, big 14 changes with the Mail Handler workforce 15 structure. Prior to this, they had no non-career 16 employees. We were able to increase the use of 17 non-career employees up to 20 percent of the 18 bargaining unit. There is, like the other 19 bargaining units, a two-tier pay schedule for 20 future career employees. It includes a lower 21 starting salary for new career and hires, but 22 like the NALC, it kept the top step where it is.</p>	1628	<p>1 We reduced that in the new contract for -- to 2 about 15-something an hour. So -- so it was 3 about a 7.7 percent reduction in the starting 4 salary, maintaining the top step. 5 Q So the 2006 concessions made by the 6 Mail Handlers is the reason why the most recent 7 contract has a more modest decrease in the 8 starting salary? 9 A That's correct. 10 Q Okay. 11 A Because they already had a very low 12 starting salary to begin with. The Mail 13 Handlers, being a much smaller bargaining unit 14 than the others, the estimated savings over the 15 term of the agreement are about \$900 million. 16 Q Could you please summarize the 2010 to 17 2000 round of collective bargaining to date? 18 A Sure. Well, we have four contracts 19 now, four out of seven that cover more than a 20 half a million employees, all performing core 21 postal functions. All were -- were -- were 22 informed by the financial crisis that the Postal</p>

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

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

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

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

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

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

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

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

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

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<p style="text-align: right;">1665</p> <p>1 morning. 2 (Whereupon, the proceedings were 3 adjourned at 4:11 p.m.) 4 5 * * * * * 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22</p>	
<p style="text-align: right;">1666</p> <p>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 <hr style="width: 20%; margin: auto;"/> ERICK M. THACKER 17 Notary Public in and for the 18 District of Columbia 19 My commission expires: 20 June 14, 2014 21 22</p>	

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