

**IN THE MATTER OF THE INTEREST ARBITRATION
BETWEEN**

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UNITED STATES POSTAL SERVICE

AND

**NATIONAL RURAL LETTER
CARRIERS' ASSOCIATION**

*** CHAIRPERSON'S FILE NO: 2011-3252**

AWARD

BOARD OF ARBITRATION

**JACK CLARKE, NEUTRAL CHAIRPERSON
JOEY C. JOHNSON, NRLCA ARBITRATOR
ROBERT A. DUFEK, USPS ARBITRATOR**

AWARD DATE: JULY 3, 2012

APPEARANCES FOR THE PARTIES

NRLCA

**Michael Gan, Esq., Peer, Gan & Gisler, LLP, Washington, D.C.
Mark Gisler, Esq., Peer, Gan & Gisler, LLP, Washington, D.C.
Jean-Marc Favreau, Esq., Peer, Gan & Gisler, LLP, Washington, D.C.
Joshua Scharff, Esq. Peer, Gan & Gisler, LLP, Washington, D.C.
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Jeanette P. Dwyer, President, NRLCA**

USPS

**Kevin B. Rachel, Esq., Manager, Collective Bargaining and Arbitration, Washington, D.C.
Stephan J. Boardman, Esq., Chief Counsel, Labor Relations and Appellate Counsel,
Washington, D.C.
Brian M. Reimer, Esq., Labor Counsel, Washington, D.C.
Teresa A. Gonsalves, Esq., Labor Counsel, Washington, D.C.
Thomas E. Reinert, Jr., Esq., Morgan Lewis & Bockius, LLP, Washington, D.C.
Katherine P. Sullivan, Labor Relations Specialist, Washington, D.C.**

PROCEDURAL HISTORY

The United States Postal Service is hereinafter referred to as “USPS”. The National Rural Letters Carriers’ Association is hereinafter referred to as “NRLCA”.

The USPS and NRLCA entered into a Memorandum of Understanding regarding “Interest Arbitration Procedures” executed by counsel for the NRLCA and the USPS on October 19 and 20, 2011, respectively, (hereinafter “2011 Ground Rules”).¹ The 2011 Ground Rules provide in part:

Pursuant to 39 U.S.C. Sections 1206(c) and 1207(c)(1), the National Rural Letter Carriers’ Association (“NRLCA”) and the United States Postal Service (“USPS”) agree to the following alternate procedures in an attempt to resolve their 2010 collective bargaining dispute:

1. NRLCA and USPS have agreed to proceed directly to interest arbitration. There shall be a three member interest arbitration panel comprised of the following individuals:

Jack Clarke	Neutral Chairperson
Joey Johnson	NRLCA Arbitrator
Robert A. Dufek	USPS Arbitrator ²

The parties further agreed to submit Pre-Hearing Briefs to the Board of Arbitration; the Chairperson received hard copies of the Pre-Hearing Briefs of the NRLCA and the USPS on December 1 and 2, 2011, respectively.

In accordance with the 2011 Ground Rules, the Board of Arbitration conducted evidentiary hearings in a conference room within the USPS Headquarters in Washington, D.C. on December 5 through 8, 2011 and January 4 through 6, 2012.

¹ USPS Exhibit A1.

² Hereinafter, the three member interest arbitration panel will be referred to as the “Board of Arbitration”; see 39 U.S.C. § 1207(c).

On January 3, 2012, Richard I. Bloch, Esq., a “National Panel” arbitrator as provided for in Article 15 “Grievance and Arbitration Procedure”, Section 5 “Arbitration”, Subsection C “National Arbitration” of the Agreement between the United States Postal Service and the National Rural Letter Carriers’ Association 2006–2010 (hereinafter “2006 NRLCA-USPS Agreement”) issued a decision wherein he resolved Case No. Q06R-4Q-C1017621 (hereinafter “Bloch 1.3.2012 Decision”).³ The case related to the contractual propriety of the USPS’s having conducted a video-taped time study (“RCSR 2010”) in preparation for this interest arbitration. Arbitrator Bloch awarded:

The Postal Service violated Article 34 of the Collective Bargaining Agreement by conducting the time studies at issue without observing all procedural mechanisms required in that provision. As remedy, the Postal Service is ordered to cease and desist. Further remedial requests are denied.

After briefing the question, the NRLCA and the USPS argued via video conference on February 3, 2012 their respective positions regarding what impact, if any, the Bloch 1.3.2012 Decision should have on the USPS’s submission of RCSR 2010 in this interest arbitration.

The Board of Arbitration issued an Interim Award dated February 8, 2012 (hereinafter “Interim Award”). The Interim Award is adopted and incorporated by reference as if set out in full at this point.

The Board of Arbitration conducted further evidentiary hearings by videoconference on February 21, 22, 23, 28, and 29; March 1, 2, 12, 13, 15 and 16; and April 16, 17, 18, 20, 23, 24 and 25, 2012.

³ Counsel for the USPS and NRLCA jointly provided the Chairperson with a copy of the Bloch 1.3.2012 Decision by email dated January 24, 2012.

On February 24, 2012, the USPS filed a Motion to Exclude NRLCA Time Studies and a Brief in support of that motion. On February 29, 2012, the NRLCA filed a Brief in Opposition to USPS Motion to Exclude NRLCA Time Studies. The parties argued the Motion orally on March 13, 2012.⁴ On April 16, 2012, the Board of Arbitration, over the objection of the NRLCA, accepted the USPS's withdrawal of its Motion, which withdrawal was conditioned on the USPS being allowed to make an attorney presentation with respect to RCSR 2010.⁵ The Board of Arbitration took the NRLCA's objection as relating to the weight, if any, to be afforded the USPS's attorney presentation regarding RCSR 2010.^{6,7} Kevin B. Rachel, Esq., USPS Manager, Collective Bargaining and Arbitration, made the USPS's attorney presentation on April 25, 2012.⁸ Michael Gan, Esq., NRLCA General Counsel, proffered rebuttal evidence on that same date.⁹

At the request of the Board of Arbitration, both parties timely submitted Post Hearing Briefs. The Chairperson received hard copies by First Class Mail on May 11, 2012.

⁴ Tr. 2903 – 2957.

⁵ Tr. 3327 – 3329.

⁶ Tr. 3329.

⁷ Counsel for the NRLCA expressed concern when the Board of Arbitration allowed the USPS to withdraw its motion with the understanding that it would be allowed to make an attorney presentation. The Chairperson stands by his comments that the Board of Arbitration has not backed down one iota from the Interim Decision. In the future the USPS will not be able to claim *bona fides* based on the Wells' Board of Arbitration decision. The currently effective precedent consists of the Bloch 1.3.2012 Decision, the Interim Award and this decision.

⁸ Tr. 4508 – 4514.

⁹ Tr. 4517 – 4527.

The Board of Arbitration met in executive session at the Headquarters of the USPS in Washington, D.C. on June 12 and 13, 2012 and at the Headquarters of the NRLCA in Alexandria, Virginia on June 14, 2012.

CHAIRPERSON CLARKE'S REMARKS

At the outset, I want to express my sincere gratitude to Joey C. Johnson and Robert A. Dufek, my colleagues on this Board of Arbitration; Postmaster General Patrick R. Donahoe; NRLCA National President Jeanette P. Dwyer; Michael Gan, Esq., NRLCA General Counsel; Kevin B. Rachel, Esq., USPS Manager, Collective Bargaining and Arbitration; all of the other attorneys and staff members affiliated with the USPS or Peer, Gan & Gisler, LLP who appeared in and/or assisted with this interest arbitration; witnesses; and all others who were involved in this arbitration for their compassion, sympathy, grace, condolences and prayers during the illness and following the passing of Georgine R. Clarke, my wife of 46+ years. Their personal expressions of compassion and condolence were a true comfort to me. I also thank the representatives of the USPS and the NRLCA for the accommodations arranged for my benefit. Their agreement to radically adjust how the interest arbitration was conducted made possible not only my continuation as Chairperson but enabled me to remain with my wife throughout her illness. The members of the Board of Arbitration other than me, counsel, staff, witnesses and observers kindly sat by during unscheduled and sometimes unannounced breaks in order that I could attend to some need of hers from time to time. I thank each and every one of you!

I thank Messrs. Dufek and Johnson for their willingness to engage in frank discussions regarding the very important issues involved in this interest arbitration. Their comments evidenced depths of understanding of the issues that greatly facilitated my comprehending them, sensitivity to the interests of both parties and the highest levels of intellectual and personal integrity.

I thank counsel for the professionalism and good humor with which they conducted these hearings. Their presentations were comprehensive and very well organized. Indeed, the manner in which they conducted the hearings made the work of the Chairperson much easier.¹⁰

STATUTORY STANDARD

Thirty-nine U.S.C. § 101(c) provides:

As an employer, the Postal Service shall achieve and maintain compensation for its officers and employees comparable to the rates and types of compensation paid in the private sector of the economy of the United States. It shall place particular emphasis upon opportunities for career advancements of all officers and employees and the achievement of worthwhile and satisfying careers in the service of the United States.

Thirty-nine U.S.C. § 1001(a) provides in part:

It shall be the policy of the Postal Service to maintain compensation and benefits for all officers and employees on a standard of comparability to the compensation and benefits paid for comparable levels of work in the private sector of the economy.

Thirty-nine U.S.C. § 1003(a) provides in part:

It shall be the policy of the Postal Service to maintain compensation and benefits for all officers and employees on a standard of comparability to the compensation and benefits paid for comparable levels of work in the private sector of the economy....

Clearly, this Board of Arbitration is obligated to determine the wages, benefits, and work rules for Rural Letter Carriers for the term of the next contract consistent with the quoted statutory provisions. The Award set out below does so.

¹⁰ I usually write arbitration decisions in the third person. I am writing the first three paragraphs of the text of these Chairperson's Remarks in the first person because the expression my gratitude is personal and because the third person is simply not sufficient to express the depth of my gratitude. I will return to the third person in the next paragraph, however.

WAGES AND BENEFITS

The Board of Arbitration recognizes that the USPS is facing a financial crisis largely attributable to factors beyond its control --- a loss of mail volume, a change in the mail mix, an onerous retiree health benefits (“RHB”) pre-funding obligation and the fixed costs associated with universal service at a CPI-capped price for First Class Mail and other market dominant products.

The USPS argues that this interest arbitration is “akin to a restructuring in bankruptcy”.¹¹ The Chairperson respectfully disagrees. A restructuring in bankruptcy, by definition, entails looking at the entirety of a business --- indebtedness, pricing, operations, service standards, capital sources, labor agreements, etc. This Board of Arbitration has neither the authority of a Bankruptcy Court nor the ability to address many of the factors that have led the USPS to the brink of insolvency. Only Congress can address the USPS’s overall mission, associated business plan and regulatory framework. This Board of Arbitration can only address one, albeit critically important area --- the wages and benefits of Rural Letter Carriers. Even there the Board of Arbitration is constrained by law because it cannot address important statutory benefits such as pensions and retiree health care that loom so large in the USPS’s financial challenge. The Board of Arbitration is well aware that it cannot solve the USPS’s overall financial problems by radically restructuring the limited wage and benefit provisions it can address with the second smallest of the four largest unions. The Board of Arbitration’s decision can, at best, be a contribution to a larger solution. The larger solution must involve all four of the major unions as well as the management

¹¹ USPS Pre-Hearing Brief at 1-4.

associations affiliated with the USPS, revenue contributions from the mailing public and, most importantly, action from Congress on regulatory and legacy cost issues that reflects the needs of all the stakeholders.

On the issue of wages and benefits, the Board of Arbitration was impressed by the most recent collective bargaining agreement between the USPS and the American Postal Workers Union (“APWU”) that became effective November 21, 2010 and runs through May 20, 2015 (hereinafter “2010 APWU-USPS Agreement”). That agreement was voluntarily entered into by both the USPS and the APWU in May of 2011. The contract contains a two year wage freeze, no COLA in year one, a deferral of COLA until 2013, a revised COLA base to July of 2011 and modest general wage increases starting in FY 2013 through FY 2015. In addition, the agreement included labor cost changes that should reduce unit labor costs over the course of the agreement. These changes include a two tier wage rate for new hires substantially below the current scale and an increase in non-career employees with lower wage and benefit packages. The Board of Arbitration is well aware of the labor cost savings that will likely flow to the USPS from this collective bargaining agreement and has referred to it in rendering the Award set out below.

The USPS has argued in this proceeding that the Board of Arbitration should not be bound by the pattern established in the 2010 APWU-USPS Agreement and should not be concerned with internal equity. While the Board of Arbitration is not *bound* to adopt the wage and benefit pattern set out in that agreement, it is appropriate that it do so in this particular case. The USPS, principally through the testimony of its CFO, argued that the USPS’s financial condition has deteriorated since the 2010 APWU-

USPS Agreement was entered into and now must make even more drastic reductions in Rural Delivery labor costs in order to stave off insolvency. The Chairperson of the Board of Arbitration was not persuaded by this testimony. Wholly apart from whether the USPS's finances have deteriorated since May of 2011 (and the evidence on that point was less than persuasive), the Board of Arbitration, as noted above, is not a bankruptcy court and lacks the power of such a court to virtually completely restructure the USPS's business. Rather, the jurisdiction of this Board of Arbitration is limited to resolution of the issues presented to it by the USPS and the NRLCA. In addition, the evidence presented during this hearing convinced at least the Chairperson that the major problem faced by the USPS is not the inadequacy of concessions in the 2010 APWU-USPS Agreement but rather the failure of Congress to address the overall mission and financing of the Service in a time of deteriorating mail volumes and reduced public demand for hard-copy postal services. The Chairperson is convinced that no restructuring of a single labor contract can address all of the USPS's financial challenges created, in large part, by the recession and the Postal Accountability and Enhancement Act with its retiree health benefits prefunding obligations. This is particularly true here where the Rural Letter Carrier collective bargaining agreement, with its evaluated compensation system, is noted in two separate reports by the Office of Inspector General as a model of efficiency and productivity and one that should be sought with the City Letter Carriers.¹²

The wage and benefit schedule directed by the Board of Arbitration appears in the Award below.

¹² Reports of the USPS Office of Inspector General dated March 26, 2009 and September 19, 2011, NRLCA Exhibits 9 and 21.

STANDARDS

In a decision dated February 15, 2010 Arbitrator Richard I. Bloch accurately and succinctly summarized the system by which the pay of Rural Letter Carriers are determined (hereinafter “Bloch 2.15.2010 Decision”):

Rural carriers are not paid on a standard hourly basis. Instead, the parties have devised a complex evaluated compensation system that calculates an annual salary based on the estimated average time it will take a carrier to complete an assigned route. The time estimate for each individual route is determined during an annual mail count by measuring a variety of work elements associated with the various duties and responsibilities of the carrier.¹³

In its Pre-Hearing Brief and at different times throughout the arbitration hearing¹⁴, the USPS cited dicta in that decision for the proposition that the system by which the pay of Rural Letter Carriers are determined is not an incentive system.¹⁵ The evidence presented in this interest arbitration, specifically including but not limited to the testimonies of the NRLCA’s experts, rural carrier officers and members, and even some of the USPS’s witnesses, convinces the Chairperson that the evaluated compensation system utilized to determine Rural Letter Carriers’ pay is indeed an incentive system. It is an unusual incentive system, however. The incentive is to earn paid time off by working “harder and smarter”. The incentive does not involve additional production, that is, it does not involve a Rural Letter Carrier’s performing additional work on any given day. Thus, unlike the stereotypical incentive system that Arbitrator Bloch noted, the

¹³ U.S. Postal Service and National Rural Letter Carriers’ Assoc., No. Q06R-4Q-C09363192, p. 1 (Bloch, Feb. 15, 2010) (USPS Exhibit F5).

¹⁴ See, e.g. Tr. at 66-67.

¹⁵ U.S. Postal Service and National Rural Letter Carriers’ Assoc., No. Q06R-4Q-C09363192, p. 22-23 (Bloch, Feb. 15, 2010) (USPS Exhibit F5).

USPS appears to gain no benefit from the system.¹⁶ Indeed, for any given route, the USPS pays an individual Rural Letter Carrier the same amount regardless of the amount of time it takes him/her to complete it, at least until the next mail count.

The USPS and the NRLCA presented experts in the fields of industrial engineering and incentive compensation systems. These witnesses were unanimous in stating that the evaluated compensation system currently in use was not based on industrial engineering principles or modern electronic monitoring technologies. Rather, the system is based on a number of “standards”, which have been established by negotiation or arbitration, sometimes based on some kind of non-engineered study and sometimes not. To remedy this situation, the NRLCA first proposed and the USPS later agreed to re-do the evaluated compensation system based on sound engineering principles. The Board of Arbitration will direct the parties to engage in such a study. This study will place the evaluated compensation system on a sound, well engineered basis and will produce substantial benefits for the NRLCA and the USPS going forward. In order to minimize the time needed to complete the study and implement the revised evaluated compensation system, the Board of Arbitration will direct adoption of a study that requires the parties to adopt the engineered standards and related

¹⁶ The Board of Arbitration need not determine whether the evaluated compensation system contributes to the lesser cost of delivery of mail by Rural Letter Carriers compared to delivery by City Carriers; see Union Exhibit 52, Slide 18; Union Exhibit 52D, footnote 14. Therefore the Chairperson will make no comment on that question at this point except to note that in at least two reports the Office of Inspector General has recommended adoption of the evaluated compensation system for City Carriers; see footnote 12 above. Further, the Chair is well aware of the fact that roughly one-half of the NRLCA bargaining unit is comprised of non-career employees who work over 30% of total hours. That fact played an important role in the adoption of the APWU pattern in this case.

recommendations on the Evaluated Compensation System within the parties' traditional incentive system without recourse to the grievance and arbitration procedure.

The parties' experts agree that completion of such a study will likely require about three years. Thus, it is appropriate to view the existing standards with respect to possible interim adjustments.

As noted above, the incentive in the evaluated compensation system is that Rural Carriers can earn pay for time not worked by working harder and smarter during the time each does work. However, the USPS argues that increases in time paid for but not worked caused not by employees' working harder and smarter, but rather by USPS capital investments, should result in benefits to the USPS.¹⁷ The evidence presented shows overwhelmingly that the average quantum of time paid for but not worked grew dramatically during the term of the 2006 NRLCA-USPS Agreement.¹⁸ Indeed, unrebutted evidence shows that the average amount of time paid for but not worked increased from about 160 minutes per week in 2006 to over 320 minutes per week in 2010.¹⁹ In percentage terms, average time paid for but not worked grew from about 6% of evaluated hours to just under 12% of evaluated hours during that period.²⁰

¹⁷ See the Interim Award at footnote 10 for a discussion of the terms "bump" and "earned time off" and the Chairperson's reasons for adopting the phrase "time paid for but not worked".

¹⁸ See the testimony of Joseph Alexandrovich at Tr. 2980-2984 and USPS Exhibit Q1, Slides 1-6.

¹⁹ Tr. at 2982, 3016 and USPS Exhibit Q1, Slide 4.

²⁰ Tr. at 2983-2984 and USPS Exhibit Q1, Slide 3.

The USPS and the NRLCA have each proposed adjusting a number of standards and presented evidence in support of those proposals.²¹ The USPS proposed adjusting the DPS Letters standard for carriers using Long Life Vehicles (LLV's), right-hand drive vehicles with specific spaces for trays and flats among other features, from 30 pieces per minute to 75 pieces per minute. Both parties vigorously litigated this proposal during this arbitration.

The evidence convinces the Chairperson that the introduction of LLV's created efficiencies for Rural Letter Carriers. The USPS presented credible evidence that Rural Letter Carriers who used LLV's enjoyed an increase of 28% in the amount of time paid for but not worked, about 13.5 minutes per day/81 minutes per week, when compared to Rural Letter Carriers using their own vehicles.²² This evidence was further corroborated by the USPS's 4240 Study, which sampled 700 rural routes, and found that the time paid for but not worked was 57% larger for routes with LLV's as compared to personal vehicles.²³ That same study showed that time paid for but not worked was 50% higher for routes with DPS Letters.²⁴ The Union correctly argues that the USPS has shown correlation and that correlation by itself is not sufficient to prove causation scientifically. Nonetheless, the evidence presented satisfies the preponderance of the evidence standard. Certainly, something other than working harder and smarter caused the change. There is no reason to believe that Rural Letter Carriers in general were working

²¹ The NRLCA's proposal that the Board of Arbitration adjust any standard was a fall-back one, in the event the Board of Arbitration opted to adjust any standard in accordance with a USPS proposal. The NRLCA has consistently argued that the Board of Arbitration should change no standards at this time.

²² Tr. at 3002-3004, 3033 and USPS Exhibit Q1, Slides 27, 28 and 29.

²³ Tr. at 3001-3002 and USPS Exhibit Q1, Slide 26.

²⁴ Tr. at 3001-3002 and USPS Exhibit Q1, Slide 26.

twice as hard and smart in 2011 as they were in 2006. Similarly, there is no reason to believe that Rural Letter Carriers using LLV's were working 28% or 57% harder and smarter than their sisters and brothers driving their personal vehicles. It is more likely than not that the introduction of LLV's and DPS Letters contributed substantially to the increase in the amount of time paid for but not worked experienced by Rural Letter Carriers using those vehicles to deliver those letters. The Chairperson is persuaded that the standard for DPS Letters for Rural Letter Carriers using LLV's should be revised upward (hereinafter "DPS Letters/LLV standard").

Despite a transcript of 4632 pages and the introduction of numerous exhibits, the record does not contain reliable evidence on which the Board of Arbitration could base an adjustment to the DPS Letters/LLV standard to a number higher than that set by Arbitrator Bloch for DPS Flats.²⁵

The NRLCA argues that the DPS Flats standard set in accordance with the Bloch 1.3.2012 Decision and Arbitrator Bloch's Supplemental Award of May 9, 2011 is too high. In the Supplemental Award, Arbitrator Bloch set the DPS Flats standard at 43 pieces per minute. The difficulty with the NRLCA's argument is that it ignores the role of a National Panel Arbitrator.²⁶ Just as this Board of Arbitration lacked the power to

²⁵ As noted in the Procedural History, Kevin B. Rachel, Esq. made the USPS's attorney presentation regarding RCSR 2010 on April 25, 2012. In accordance with the Interim Award, that presentation is not entitled to sufficient weight to prove a DPS Letters/LLV standard.

Because the USPS withdrew its Motion to Exclude NRLCA Time Studies, the Chairperson need not and therefore will not make any comment about that motion or about any argument made in support of it.

²⁶ *See generally*, Article 15, Section 5, Part A "General" of the 2006 NRLCA-USPS Agreement; *see also*, USPS v. NRLCA, Case No. E95R4E-D 01027978 (2002) (Eischen, Arb.) (an attachment to Brief of NRLCA in Support of Motion to Exclude USPS Time Study).

determine that the USPS had not violated the 2006 NRLCA-USPS Agreement when it produced the RCSR 2010, it lacks the power to determine that the DPS Flats standard set in the Bloch 1.3.2012 Decision is too high. Until adoption of the re-engineered evaluated compensation system or mutual agreement between the parties to a different DPS Flats standard, the standard set in the Supplemental Award of May 7, 2011 is the contractual standard, regardless of the engineering underlying it.

Balancing all relevant evidence as this Board of Arbitration must, the Chairperson is persuaded that delivery of a DPS Letter using an LLV is no more difficult than delivery of a DPS Flat. Therefore the Chairperson finds that the DPS Letters/LLV standard should be the same as the DPS Flats standard, that is, 43 pieces per minute.²⁷ The Chairperson could not reach a higher number without engaging in speculation.

The USPS proposed that the Pre-Paid Parcels standard be adjusted from 4 minutes per parcel to 90 seconds per event or customer and 9 seconds per parcel. The un rebutted evidence presented by the USPS convinces the Chairperson that the current pre-paid parcel standard bears little if any relationship to the work involved in a Rural Letter Carrier's picking up a prepaid parcel from a customer.²⁸ The Board of Arbitration will direct revision of the Pre-Paid Parcels standard in the Award below.

The NRLCA proposed that the Walking Speed standard be changed from 0.00284 minutes per foot or 4 miles per hour to 0.00429 minutes per foot or 2.647 miles per hour. The un rebutted testimonies of NRLCA's witnesses fully and comprehensively

²⁷ The Chairperson expects the USPS to mitigate the impact of standards changes on individual Rural Letter Carriers to the extent that it can reasonably do so.

²⁸ Tr. at 4440-4450.

support its Walking Speed standard proposal.²⁹ The Chairperson is persuaded that the Walking Speed standard should be adjusted to 0.00429 minutes per foot/2.647 miles per hour.

The USPS and NRLCA proposed modifications of other standards. The Board of Arbitration will not adopt any of those other proposals. The evidence is insufficient to warrant granting other adjustments sought by the USPS. Other adjustments sought by the NRLCA must await completion of the Evaluated Compensation System study directed in the Award below. The cost involved in the Mileage standard adjustment sought (over one billion dollars) is so great that this Board of Arbitration could not grant it without doing serious harm to the USPS and eventually to Rural Letter Carriers.

OTHER ISSUES

With respect to the Equipment Maintenance Allowance (EMA), the NRLCA proposed basing EMA on vehicle maintenance costs incurred by the USPS. The USPS, on the other hand, proposed using Runzheimer International to determine the EMA. The Board of Arbitration has adopted neither proposal. The Chairperson understands that EMA is supposed to reimburse a Rural Letter Carrier for the expenses she/he incurs in providing a vehicle to deliver mail. NRLCA's evidence does not show the Chairperson that the vehicle maintenance costs incurred by Rural Letter Carriers mirror those of the USPS. Regardless of the accuracy or inaccuracy of any allowance that Runzheimer International might set, the USPS's proposal to use that firm is unacceptable because the methodology used to determine it is proprietary. Thus NRLCA would have no means

²⁹ See the testimonies of Steven L. Traylor, beginning at Tr. 3703; Lawrence S. (Larry) Aft, P.E. beginning at Tr. 3721; Richard L. Shell, Ph.D., P.E. beginning at Tr. 3739; and Kenneth Mericle, Ph.D. beginning at Tr. 3766; NRLCA Exhibits 92, 93, 94 and 95.

to determine whether any dollar amount set by Runzheimer International was or was not correct. Rather than adopting the proposal of either party, the Board of Arbitration will direct adjustments of the EMA in the last two years of this collective bargaining agreement in the amount of ½ cent increases in the base rate.

The Board of Arbitration will direct modification of the High Option language in order that cost savings anticipated in this Award are realized while at the same time ensuring that Rural Letter Carriers are not hampered in maximizing their incomes in their last years of service.

The Board of Arbitration will direct modification to the language of Article 32.4 to ensure that Rural Letter Carriers can compete with contractors on a level playing field.

The Board of Arbitration will direct the USPS to cease hiring Temporary Relief Carriers (TRCs) (Designation Code 70) effective August 11, 2012. TRC's will be allowed to complete their existing appointments.

Both parties proposed changes to the mail counts. The evidence persuades the Chairperson that the NRLCA's proposal of alternating three and two-week mail counts during the February/March timeframe should be adopted.³⁰ This proposal is consistent with the parties' practice of alternating longer and shorter mail counts during an appropriate timeframe.

The Board of Arbitration will award a Memorandum of Understanding concerning an USPS Health Care Plan in recognition of the critical importance to all parties and stakeholders of ultimately addressing RHB liability.

³⁰ See the testimony of Thomas Sexton, Ph.D. at Tr. 4001-4005; see also NRCLA Exhibit 105 at 15-18.

AWARD OF THE BOARD OF ARBITRATION

The Board of Arbitration awards as follows:

1. Amend Article 9 in accordance with Appendix A to this Opinion and Award.
2. Implement the Memorandum of Understanding regarding Evaluated Compensation System Time Standards Project set out in Appendix B to this Opinion and Award.
3. Both parties proposed numerous changes to rural route standards. The NRLCA also made a proposal to establish paid breaks. The Chairperson directs that only the following time standards should be changed and applied during the next mail count and all subsequent mail counts, until the final determination regarding the improved Evaluated Compensation System is implemented:

- A. Delivery Point Sequence (DPS) Letter Mail – 43 pieces per minute for routes with an assigned Employer provided vehicle.
- B. Prepaid Parcels Accepted – 90 seconds per event and 9 seconds per parcel. Prepaid parcels accepted will be removed from its current category for credit during the mail count, *Parcels Accepted, Ordinary, Insured, C.O.D.*; and be credited in the same category as *Carrier Pickup 'Request' and Carrier Pickup 'Items'*, as appropriate.
- C. Credit for walking speed – 0.00429 minutes per foot.

4. Amend Article 7.4 to provide:

Effective August 11, 2012, the Postal Service will discontinue hiring Temporary Relief Carriers (TRCs) (Designation Code 70). All TRCs on the rolls prior to August 11, 2012, including those receiving subsequent appointments following a six-day break in service, may complete their 359-day appointment.

5. Amend Article 9.2.C.7.a(3) to provide:

A regular carrier must have a minimum of ten (10) years from his or her retirement computation date to be eligible to elect the high option.

6. Amend Article 12.3.A.3 to provide:

The threshold for converting auxiliary rural routes to regular routes will be changed from thirty-nine (39:00) weekly standard hours to forty-two (42:00) weekly standard hours. These routes will be converted within thirty (30) days of the increase to 42:00 standard hours, unless the increase is as a result of a mail count. In the latter circumstance, the conversion will be effective with the mail count.

7. A. Amend Article 12.3.A.1.a to provide:

When the evaluation of a regular rural route decreases to less than thirty-five (35:00) weekly standard hours, the route will be converted to auxiliary status if the route is: a) vacant, or b) encumbered and there is an existing regular rural route vacancy in the same office or in another office within fifty (50) miles. In offices with an existing rural route vacancy, the encumbered regular rural route less than 35:00 standard hours will be converted to auxiliary status and the regular rural carrier will be assigned to an existing rural route vacancy. In offices that do not have an existing rural route vacancy, the excessing and/or reassignment provisions of Article 12 will be applied, prior to the conversion of an encumbered regular rural route less than 35:00 standard hours. If, following application of the provisions outlined above, there is no existing regular rural route vacancy in another office within fifty (50) miles, the encumbered regular rural route will not be converted to auxiliary status at this time.

- B. Amend Article 12.5.B to provide:

Any encumbered regular rural route evaluating to less than thirty-seven (37:00) weekly standard hours may be consolidated and the excessing and/or reassignment provisions of Article 12 will be applied.

8. The Board directs the parties to modify the language of Article 15, as appropriate, to reflect changes related to arbitration appeals and arbitration scheduling.
9. Amend Article 21 in accordance with Appendix C to this Opinion and Award.
10. Comply with the Memorandum of Understanding set out in Appendix D.

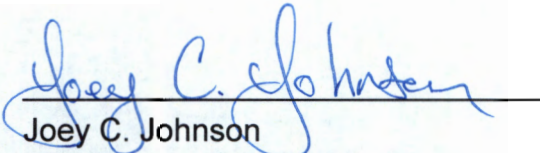
11. The term of this contract shall be from November 21, 2010 to and including 12 midnight May 20, 2015.

Date: July 3, 2012

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal line extending to the right.

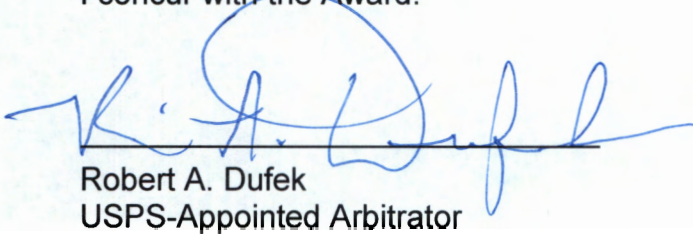
Jack Clarke, Chairperson

I concur with paragraph 1 except as it relates to RCA's hired after November 20, 2010 and paragraphs 2, 3.C, 4, 5, 6, 7, 8, 9, 10 and 11 and dissent from paragraph 1 as it relates to RCA's hired after November 20, 2010 and paragraphs 3.A and 3.B.

A handwritten signature in blue ink, appearing to read "Joey C. Johnson" with a horizontal line underneath.

Joey C. Johnson
NRLCA-Appointed Arbitrator

I concur with the Award.

A handwritten signature in blue ink, appearing to read "Robert A. Dufek" with a horizontal line underneath.

Robert A. Dufek
USPS-Appointed Arbitrator

SEPARATE OPINION AND DISSENT OF
BOARD MEMBER JOEY C. JOHNSON

For the most part, the NRLCA fared well under the Board's Award. With two important exceptions discussed below, I have concurred with that Award. It is true, of course, that we would have preferred to have received a better economic package and given back less in health care. We most definitely are not pleased with the new lower wage rates for newly hired RCAs and their subsequent advancement to regular carrier. To be sure, the Postal Service argued forcefully for much greater concessions from our craft. Likewise, of course, we strenuously argued for improved wages and benefits. However, given the present economic condition of the Postal Service, and, most particularly, the May 2011 APWU agreement, the economic package in the Award was to be expected. Realistically, we were not likely to do better than the APWU. That agreement provided precedent that would have been very difficult to ignore, as Chairman Clarke has emphasized. The encouraging thing is that, with two exceptions, we did not do worse than the APWU.

The first and most important exception concerns the awarding to the Postal Service of changes to the Pre-Paid Parcels Collected standard and to the DPS Letters standard with respect to LLV routes. Before detailing my objections, however, I do want to acknowledge that we did make significant advances overall with respect to the Evaluated System and its time standards. We now have on record the undisputed view that the Evaluated System is an incentive system –

that rural carriers have an incentive to work harder and smarter in order to go home early and thus earn paid time off. The Postal Service ultimately conceded that this is so, and Arbitrator Clarke declared such based on an abundance of record evidence (and despite National Arbitrator Bloch's unsolicited opinion to the contrary in the DPS Flats case).

Most importantly, the Postal Service and the NRLCA have agreed that now is the time to have all of the time standards in the Evaluated System studied by professional industrial engineers and have those standards set scientifically in accordance with sound industrial engineering principles. None of the existing standards have been established in this manner. Indeed, about half of them were put into place almost 50 to 60 years ago, and we do not know the basis for any of them. Both parties recognize that there are some standards that provide too much time and some that provide too little time (the route length allowance, or driving speed, for example). This increasingly results in more and more "winners" and "losers" among rural routes. Some of the country's best industrial engineers were retained by the NRLCA and testified on our behalf. Unanimously, they testified that in order to fix the system and prevent continual attempts by the Postal Service to "cherry pick" the "loose" standards and thus tighten the incentive, that all of the standards should be engineered, to insure that all of them are individually accurate. Postal Service expert industrial engineer witnesses agreed. That is what will be done under this Award. As a precondition to the engineering of the standards, and as evidence of the parties' commitment to the success of this process, during this interim period, no

standards changes may be proposed (except for new work functions).

Additionally, Article 34 will be renegotiated to reflect the new industrial engineering process for setting and adjusting standards so that both parties may call for standards reviews in the future. This puts us on a level playing field with the USPS.

My strong support for an engineered system of standards notwithstanding, I cannot agree with an Award that further distorts our current system and therefore I must respectfully dissent.

To put it bluntly, the Board majority has engaged in precisely the kind of “cherry-picking” of standards that all of the industrial engineering experts in this case advised us to avoid. In doing so, the Board majority has ignored several meritorious proposals made by the NRLCA. It is true – we did forcefully argue that the Board make no interim changes to the existing system of standards. We argued that any such changes should occur scientifically based on sound industrial engineering principles in the review and restudy of all standards. However, given that the Board is prepared to wade into the dangerous waters of making individual standards changes, it certainly should have given full consideration to all of the parties’ proposals and the evidence supporting those proposals. For example, our proposal to change the route length allowance (mileage standard) from the equivalent of 30 miles per hour to 16 miles per hour was supported by incontrovertible evidence. Route conditions have changed significantly since the 1960’s. Rural routes have far more boxes per mile than they did decades ago. Traffic and congestion has worsened, too. Our experts

conducted an appropriate, scientific study that completely supported our proposal to modify the current route length allowance. Indeed, the Postal Service made no effort to rebut our evidence.

To avoid awarding some or all of our proposals on standards based on financial considerations (“The cost involved in the Mileage standard adjustment sought (over one billion dollars) is so great that this Board of Arbitration could not grant it without doing serious harm to the USPS and eventually to Rural Letter Carriers,” page 16) is to ignore all of the expert testimony on this point. The setting of standards, even in an interim fashion, must be blind to their consequences. All of the industrial engineering experts said so. And that is why holding off on making any standards changes and letting the industrial engineers review the current system of standards and make adjustments based on scientific study was recommended by the experts. To ignore these recommendations and to tinker with existing standards absent any scientific study of *all* of the standards is to further distort the evaluated system. And the experts said just that.

In the end, the “correctness” of the evaluated system is not to be determined by the level of “incentive” in the system but rather by the accuracy of the standards, which must be set using sound industrial engineering principles. The Board majority’s award in this regard is result-oriented and is designed to give the USPS interim savings at the expense of rural carriers and the integrity of the evaluated system. There is no doubt that the savings achieved by modifying the Prepaid Parcels Collected standard and DPS letter standard for LLV routes

generate far more savings for the USPS, than do the costs associated with granting our standard proposal on Walking Speed (dismount distance). Sadly, this inequitable result is not based on the evidence; rather, it is based on dollars and cents only. It is unwise and premature to make changes now that favor one side or the other.

The other Postal unions risk changes to salaries and benefits in collective bargaining and interest arbitration. We face those same risks but have been saddled with additional risks related to changes in time standards. A re-study of the whole system of standards will ultimately ensure the integrity of both the individual standards and of the system as a whole. There will be no need for the level of incentive to be an issue that continues to infect the bargaining process in the future, as it has in the past. The level of incentive will become irrelevant because the incentive in a system of engineered standards will be premised on rural carriers working harder and smarter under scientifically correct standards.

If the Chairman was prepared to look at individual standards, I submit he was obligated to look at all of the proposals before him and the evidence introduced to support any changes. If that had occurred, the result as far as standards are concerned would have been far different. If, contrary to our urging, the Board majority is set upon making changes to any individual standards, there is simply no logic behind ignoring other indisputably meritorious standards changes solely because they may be costly to the Postal Service.

* * * * *

Finally, there will be a new pay chart for newly-hired rural craft employees. This reality is similar to the result in the APWU voluntary settlement. In the APWU contract, however, no current employees were adversely affected by changes to the pay charts. In this case, Rural Carrier Associates hired after November 20, 2010, the date of the expiration of the 2006-2010 National Agreement, are treated like newly-hired employees when they become regular carriers. They will be subject to the lower pay scale in table two. Accordingly, these RCAs will suffer a pay cut – something no APWU-represented employee was subject to at the time of that voluntary settlement. Given that rural relief employees work a greater share of the hours than any other group of non-career employees in the other crafts and have no benefits in most cases, I cannot in good conscience agree with this portion of the Award. To penalize this group of current employees is patently unfair.

Accordingly, I dissent from paragraph 1 (relating to RCA's hired after November 20, 2010) and paragraphs 3.A and 3.B (relating to DPS Letters and Prepaid Parcels Accepted).

APPENDIX A TO THE OPINION AND AWARD DATED JULY 3, 2012

ARTICLE 9
COMPENSATION, SALARIES, AND WAGES

Section 1. Salaries and Wages

A. Basic Annual Salary

The basic annual salary schedules in effect on **November 20, 2010**, with proportional application to hourly rate employees, for those employees covered under the terms and conditions of this Agreement, shall be increased as follows:

1. Effective November 17, 2012

The basic annual salary for each step shall be increased by an amount equal to 1.0% of the **appropriate July 3, 2012** salary schedule (**Tables One, Two, Three or Four**).

2. Effective November 16, 2013

The basic annual salary for each step shall be increased by an amount equal to 1.5% of the **appropriate July 3, 2012** salary schedule (**Tables One, Two, Three or Four**).

3. Effective November 15, 2014

The basic annual salary for each step shall be increased by an amount equal to 1.0% of the **appropriate July 3, 2012** salary schedule (**Tables One, Two, Three or Four**).

B. New Regular Carrier Appointees

All new regular carriers will be appointed at Step 1 of Table Two with the following exceptions:

1. Substitute rural carriers will be appointed to regular carrier status at Step 8 or their existing step, whichever is lower, provided, however, that substitutes serving in excess of ninety (90) days on a vacant route at the time of appointment will maintain their existing step.
2. Rural carrier associates and rural carrier relief employees on the rolls before August 7, 1991, and continuously thereafter will be appointed at Step C (**Table One**).
3. **Rural carrier associates who were hired between August 7, 1991 and November 20, 2010, and served continuously thereafter, will be appointed at Step A (Table One).**
4. Career employees of the Postal Service on the rolls before August 7, 1991, and continuously thereafter will be appointed at Step C (**Table One**).
5. Part-time flexible rural carriers will be appointed to regular carrier status at their attained step.

C. Part-time Flexible Rural Carrier Appointees

Substitute rural carriers who are appointed to part-time flexible rural carriers under Article 30.2.A.3. will begin a career appointment at Step 8 or their existing step (**Table One**), whichever is lower, provided, however, that substitutes serving in excess of ninety (90) days on a vacant route at the time of appointment will maintain their existing step.

Rural carrier associates on the rolls before August 7, 1991, who are appointed to part-time flexible rural carriers under Article 30.2.A.3. will begin a career appointment at Step C (**Table One**). Rural carrier associates who **were hired between August 7, 1991 and November 20, 2010 and served continuously thereafter**, who are appointed to part-time flexible rural carriers under Article 30.2.A.3. will begin a career appointment at Step A (**Table One**). **Rural Carrier Associates hired on or after November 21, 2010 who are appointed to part-time flexible rural carriers under Article 30.2.A.3 will begin a career appointment at Step 1 (Table Two).**

D. Granting Step Increases

1. For regular, part-time flexible, substitute, and auxiliary rural carriers in **Steps A through 11 of Table One**, the **step progression** shall be as follows:
 - From Step A to Step B after 96 weeks.
 - From Step B to Step C after 96 weeks.
 - From Step C to Step 1 after 44 weeks.
 - From Step 1 to Step 2 after 44 weeks.

- From Step 2 to Step 3 after 44 weeks.
- From Step 3 to Step 4 after 44 weeks.
- From Step 4 to Step 5 after 44 weeks.
- From Step 5 to Step 6 after 44 weeks.
- From Step 6 to Step 7 after 44 weeks.
- From Step 7 to Step 8 after 34 weeks.
- From Step 8 to Step 9 after 34 weeks.
- From Step 9 to Step 10 after 26 weeks.
- From Step 10 to Step 11 after 26 weeks.
- From Step 11 to Step 12 after 24 weeks.

2. The step progression for career rural carriers in Steps 1 through 12 of Table Two shall be 52 weeks for each step.

E. Cost-of-Living Adjustment

1. Definitions

- a. "Consumer Price Index" refers to the "National Consumer Price Index for Urban Wage Earners and Clerical Workers", published by the Bureau of Labor Statistics, United States Department of Labor (1967=100), and referred to herein as the "Index."
- b. "Consumer Price Index Base" refers to the Consumer Price Index for the month of **July 2011** and is referred to herein as the "Base Index."

2. **Each eligible employee covered by this Agreement shall receive cost-of-living adjustments, upward, in accordance with the formula in E.3., as follows:**

Index	Payment Effective:
January 2012	Second full pay period after release of January 2013 Index
July 2012	Second full pay period after release of July 2013 Index
January 2013	Second full pay period after release of January 2013 Index
July 2013	Second full pay period after release of July 2013 Index
January 2014	Second full pay period after release of January 2014 Index
July 2014	Second full pay period after release of July 2014 Index
January 2015	Second full pay period after release of January 2015 Index

3. Method of Determination

The basic salary schedules provided for in this Agreement shall be increased 1 cent per hour for each full 0.4 of a point increase in the applicable Index above the Base Index. For example, if the increase in the Index from July 2011 to January 2012 is 1.2 points, all pay scales for rural carrier employees covered by this Agreement will be increased by 3 cents per hour multiplied by 2,080 to determine the annual base rate, with proportional application to the evaluated base rates. In no event will a decline in the Index below the Base Index result in a decrease in the pay scale provided for in this Agreement.

* * * * *

F. Roll in of Existing COLA

For RCA/RCR employees on rolls prior to August 11, 2012, an amount equal to the COLA paid to full-time rural carriers on an hourly basis under the 2010 Agreement will be rolled into RCA/RCR hourly rates during the first full pay period of August 2015.

G. Application of Salary Rates

The Employer shall continue the current application of salary rates for the duration of this Agreement.

H. Protected Salary Rates

The Employer shall continue the current salary rate protection program for the duration of this Agreement.

I. New Rural Carrier Associates

RCA's hired on or after August 11, 2012 will be paid the RCA basic hourly rate in Table Four. The hourly rate shall be adjusted by the general increases provided for in Article 9.1.A. In addition, RCA's in Table Four will receive the following wage adjustments:

Effective November 17, 2012, the hourly rate (Table Four) shall be increased by 1.0%.

Effective November 16, 2013, the hourly rate (Table Four) shall be increased by 1.0%.

Effective November 15, 2014, the hourly rate (Table Four) shall be increased by 1.5%.

All percentage increases are applied to the wage rate in place on August 11, 2012.

Section 2. Compensation, Allowance, and Fees

* * * * *

C. Evaluated Compensation

* * * * *

3. Mail Counts

a. The official evaluation of a route to determine eligibility for evaluated compensation or adjustment in evaluated compensation shall be determined by a mail count. Mail counts will be conducted as follows:

(1) In 2013, a national mail count will be conducted for **eighteen (18)** working days beginning February 9, and ending March 2, 2013. All routes will be counted except those routes which both the regular carrier and management agree in writing not to count. The mail count will be effective at the beginning of the fourth full pay period following the end of the count period.

(2) In 2014, a national mail count will be conducted for **twelve (12)** working days beginning February 22, and ending March 7, 2014. All routes will be counted except those routes which both the regular carrier and management agree in writing not to count. The mail count will be effective at the beginning of the fourth full pay period following the end of the count period.

(3) In 2015, a national mail count will be conducted for **eighteen (18)** working days beginning February 7, and ending February 28, 2015. All routes will be counted except those routes which both the regular carrier and management agree in writing not to count. The mail count will be effective at the beginning of the fourth full pay period following the end of the count period.

(4) Unless the parties agree otherwise in the successor Agreement, in 2016, a national mail count will be conducted for **twelve (12)** working days beginning March 12, and ending March 25, 2016. All routes will be counted except those routes which both the regular carrier and management agree in writing not to count. The mail count will be effective at the beginning of the fourth full pay period following the end of the count period.

(5) The Employer reserves the right to conduct a national count of mail for all rural routes during the last twelve (12) working days in September of any year. The Employer agrees to notify the Union at the national level at least thirty (30) days in advance of the commencement of the count.

* * * * *

J. Equipment Maintenance Allowance

* * * * *

3. Rate of EMA

- a. Effective with the quarterly adjustment based on the November 2013 CPI-W, the equipment maintenance allowance base rate shall increase by **one-half** cent (0.5¢) to **forty-six** and one-half cents (**46.5¢**) per mile or major fraction of a mile scheduled per day or **\$18.60**, whichever is greater.

Effective with the quarterly adjustment based on the November 2014 CPI-W, the equipment maintenance allowance base rate shall increase by one-half cent (0.5¢) to forty-seven cents (47.0¢) per mile or major fraction of a mile scheduled per day or \$18.80, whichever is greater.

* * * * *

TABLE ONE
Rural Carrier Evaluated Schedule
Full-Time Basic Annual Rates
Effective July 3, 2012

RSC R (NRLCA)

Hours	A	B	C	1	2	3	4	5	6	7	8	9	10	11	12
12	12,136	13,181	13,551	14,330	14,452	14,564	14,683	14,799	14,920	15,035	15,150	15,269	15,385	15,504	15,620
13	13,148	14,287	14,687	15,529	15,658	15,783	15,908	16,035	16,160	16,286	16,418	16,544	16,670	16,794	16,919
14	14,159	15,381	15,818	16,722	16,861	16,995	17,129	17,265	17,407	17,541	17,679	17,816	17,952	18,087	18,228
15	15,175	16,479	16,949	17,917	18,063	18,212	18,356	18,505	18,648	18,795	18,937	19,085	19,235	19,379	19,528
16	16,180	17,576	18,074	19,105	19,265	19,424	19,577	19,735	19,891	20,045	20,205	20,362	20,514	20,670	20,825
17	17,194	18,676	19,204	20,304	20,471	20,639	20,801	20,970	21,134	21,295	21,461	21,628	21,798	21,963	22,128
18	18,208	19,777	20,337	21,500	21,677	21,852	22,029	22,203	22,379	22,554	22,730	22,909	23,083	23,264	23,436
19	19,217	20,874	21,464	22,692	22,883	23,065	23,249	23,435	23,620	23,805	23,991	24,178	24,362	24,546	24,731
20	20,235	21,978	22,600	23,896	24,093	24,290	24,480	24,676	24,874	25,066	25,263	25,459	25,651	25,846	26,049
21	21,239	23,068	23,722	25,083	25,285	25,493	25,695	25,902	26,106	26,309	26,514	26,714	26,926	27,129	27,332
22	22,247	24,166	24,852	26,280	26,490	26,707	26,914	27,131	27,347	27,560	27,774	27,983	28,199	28,411	28,628
23	23,262	25,267	25,982	27,471	27,697	27,918	28,142	28,366	28,591	28,819	29,043	29,264	29,489	29,712	29,936
24	24,274	26,361	27,109	28,667	28,900	29,131	29,362	29,595	29,832	30,062	30,293	30,528	30,764	31,001	31,234
25	25,284	27,468	28,241	29,860	30,108	30,352	30,592	30,836	31,081	31,322	31,569	31,811	32,056	32,300	32,541
26	26,296	28,562	29,370	31,058	31,307	31,565	31,814	32,069	32,320	32,572	32,825	33,075	33,331	33,586	33,836
27	27,308	29,656	30,497	32,246	32,510	32,775	33,035	33,301	33,565	33,828	34,086	34,348	34,617	34,881	35,143
28	28,319	30,758	31,630	33,443	33,714	33,991	34,259	34,532	34,806	35,073	35,349	35,621	35,895	36,167	36,441
29	29,330	31,856	32,754	34,633	34,921	35,204	35,482	35,765	36,048	36,332	36,618	36,895	37,180	37,460	37,742
30	30,345	32,961	33,894	35,838	36,129	36,425	36,709	37,001	37,298	37,585	37,880	38,172	38,462	38,760	39,048
31	31,352	34,054	35,019	37,026	37,331	37,632	37,932	38,233	38,536	38,836	39,143	39,446	39,749	40,055	40,352
32	32,363	35,152	36,144	38,220	38,533	38,845	39,152	39,466	39,776	40,084	40,398	40,708	41,019	41,336	41,647
33	33,374	36,252	37,280	39,412	39,735	40,058	40,377	40,700	41,024	41,342	41,667	41,987	42,311	42,634	42,957
34	34,386	37,348	38,406	40,608	40,941	41,270	41,597	41,927	42,262	42,594	42,924	43,251	43,585	43,916	44,249
35	35,400	38,450	39,540	41,802	42,149	42,490	42,828	43,171	43,512	43,853	44,195	44,534	44,880	45,221	45,558
36	36,408	39,541	40,668	42,995	43,344	43,702	44,045	44,395	44,752	45,094	45,448	45,800	46,149	46,502	46,852
37	37,420	40,643	41,794	44,189	44,557	44,913	45,274	45,634	45,996	46,356	46,716	47,078	47,443	47,805	48,160
38	38,433	41,741	42,924	45,387	45,759	46,128	46,495	46,866	47,237	47,607	47,976	48,342	48,717	49,091	49,456
39	39,444	42,844	44,059	46,579	46,965	47,345	47,723	48,105	48,487	48,865	49,245	49,626	50,008	50,386	50,768
40	40,454	43,936	45,182	47,772	48,165	48,555	48,939	49,331	49,722	50,107	50,500	50,888	51,278	51,671	52,061
41	41,966	45,585	46,873	49,563	49,971	50,376	50,777	51,179	51,584	51,986	52,397	52,799	53,203	53,607	54,011
42	43,491	47,236	48,573	51,358	51,775	52,201	52,609	53,032	53,452	53,864	54,286	54,701	55,123	55,541	55,963
43	45,003	48,879	50,261	53,148	53,583	54,020	54,446	54,880	55,316	55,744	56,183	56,611	57,047	57,484	57,914
44	46,524	50,532	51,965	54,943	55,391	55,844	56,286	56,736	57,186	57,627	58,078	58,528	58,975	59,430	59,876
45	48,037	52,176	53,655	56,731	57,198	57,660	58,119	58,584	59,048	59,506	59,973	60,436	60,901	61,367	61,822
46	49,558	53,825	55,348	58,520	59,000	59,481	59,950	60,432	60,912	61,384	61,860	62,334	62,817	63,292	63,770
47	51,076	55,469	57,046	60,316	60,807	61,304	61,789	62,280	62,778	63,265	63,761	64,249	64,742	65,237	65,727
48	52,590	57,118	58,733	62,102	62,617	63,120	63,622	64,129	64,643	65,142	65,650	66,159	66,664	67,174	67,679
Part-Time Flexible Employees - Hourly Basic Rates															
Grade	A	B	C	1	2	3	4	5	6	7	8	9	10	11	12
1	20.23	21.97	22.59	23.89	24.08	24.28	24.47	24.67	24.86	25.05	25.25	25.44	25.64	25.84	26.03

TABLE TWO
Rural Carrier Evaluated Schedule
Full-Time Basic Annual Rates
Effective July 3, 2012

RSC R2 (NRLCA)

Hours	1	2	3	4	5	6	7	8	9	10	11	12	13
12	10,523	10,836	11,148	11,461	11,774	12,086	12,399	12,711	13,024	13,337	13,649	13,962	14,274
13	11,400	11,739	12,077	12,416	12,755	13,093	13,432	13,771	14,109	14,448	14,787	15,125	15,464
14	12,277	12,642	13,006	13,371	13,736	14,100	14,465	14,830	15,195	15,559	15,924	16,289	16,653
15	13,154	13,545	13,935	14,326	14,717	15,108	15,498	15,889	16,280	16,671	17,061	17,452	17,843
16	14,031	14,448	14,864	15,281	15,698	16,115	16,532	16,948	17,365	17,782	18,199	18,616	19,032
17	14,908	15,351	15,793	16,236	16,679	17,122	17,565	18,008	18,451	18,893	19,336	19,779	20,222
18	15,785	16,254	16,722	17,191	17,660	18,129	18,598	19,067	19,536	20,005	20,474	20,943	21,411
19	16,662	17,157	17,651	18,146	18,641	19,136	19,631	20,126	20,621	21,116	21,611	22,106	22,601
20	17,539	18,060	18,581	19,102	19,623	20,144	20,665	21,186	21,707	22,228	22,749	23,270	23,791
21	18,415	18,962	19,510	20,057	20,604	21,151	21,698	22,245	22,792	23,339	23,886	24,433	24,980
22	19,292	19,865	20,439	21,012	21,585	22,158	22,731	23,304	23,877	24,450	25,023	25,596	26,170
23	20,169	20,768	21,368	21,967	22,566	23,165	23,764	24,363	24,962	25,562	26,161	26,760	27,359
24	21,046	21,671	22,297	22,922	23,547	24,172	24,797	25,423	26,048	26,673	27,298	27,923	28,549
25	21,923	22,574	23,226	23,877	24,528	25,179	25,831	26,482	27,133	27,784	28,436	29,087	29,738
26	22,800	23,477	24,155	24,832	25,509	26,187	26,864	27,541	28,218	28,896	29,573	30,250	30,928
27	23,677	24,380	25,084	25,787	26,490	27,194	27,897	28,600	29,304	30,007	30,710	31,414	32,117
28	24,554	25,283	26,013	26,742	27,472	28,201	28,930	29,660	30,389	31,119	31,848	32,577	33,307
29	25,431	26,186	26,942	27,697	28,453	29,208	29,964	30,719	31,474	32,230	32,985	33,741	34,496
30	26,308	27,089	27,871	28,652	29,434	30,215	30,997	31,778	32,560	33,341	34,123	34,904	35,686
31	27,185	27,992	28,800	29,607	30,415	31,222	32,030	32,838	33,645	34,453	35,260	36,068	36,875
32	28,062	28,895	29,729	30,562	31,396	32,230	33,063	33,897	34,730	35,564	36,398	37,231	38,065
33	28,939	29,798	30,658	31,517	32,377	33,237	34,096	34,956	35,816	36,675	37,535	38,395	39,254
34	29,815	30,701	31,587	32,473	33,358	34,244	35,130	36,015	36,901	37,787	38,672	39,558	40,444
35	30,692	31,604	32,516	33,428	34,339	35,251	36,163	37,075	37,986	38,898	39,810	40,722	41,633
36	31,569	32,507	33,445	34,383	35,321	36,258	37,196	38,134	39,072	40,010	40,947	41,885	42,823
37	32,446	33,410	34,374	35,338	36,302	37,265	38,229	39,193	40,157	41,121	42,085	43,049	44,012
38	33,323	34,313	35,303	36,293	37,283	38,273	39,263	40,252	41,242	42,232	43,222	44,212	45,202
39	34,200	35,216	36,232	37,248	38,264	39,280	40,296	41,312	42,328	43,344	44,360	45,376	46,391
40	35,077	36,119	37,161	38,203	39,245	40,287	41,329	42,371	43,413	44,455	45,497	46,539	47,581
41	36,392	37,473	38,555	39,636	40,717	41,798	42,879	43,960	45,041	46,122	47,203	48,284	49,365
42	37,708	38,828	39,948	41,068	42,188	43,309	44,429	45,549	46,669	47,789	48,909	50,029	51,150
43	39,023	40,182	41,342	42,501	43,660	44,819	45,979	47,138	48,297	49,456	50,615	51,775	52,934
44	40,339	41,537	42,735	43,933	45,132	46,330	47,528	48,727	49,925	51,123	52,322	53,520	54,718
45	41,654	42,891	44,129	45,366	46,603	47,841	49,078	50,316	51,553	52,790	54,028	55,265	56,502
46	42,969	44,246	45,522	46,799	48,075	49,352	50,628	51,904	53,181	54,457	55,734	57,010	58,287
47	44,285	45,600	46,916	48,231	49,547	50,862	52,178	53,493	54,809	56,124	57,440	58,755	60,071
48	45,600	46,955	48,309	49,664	51,019	52,373	53,728	55,082	56,437	57,792	59,146	60,501	61,855
Part-Time Flexible Employees - Hourly Basic Rates													
Grade	1	2	3	4	5	6	7	8	9	10	11	12	13
1	17.54	18.06	18.58	19.10	19.62	20.14	20.66	21.19	21.71	22.23	22.75	23.27	23.79

TABLE THREE
**RURAL CARRIER ASSOCIATE/
RURAL CARRIER RELIEF SCHEDULES**
STRAIGHT-TIME HOURLY WAGE RATES
Effective July 3, 2012

RSC R3 (NRLCA)		
	Sch 1*	Sch 2**
HOURLY RATE	19.45	22.97

* Applies to rural carrier associates hired from August 24, 1991 through August 10, 2012.

** Applies to rural carrier associates and rural carrier relief employees on the rolls prior to August 24, 1991.

TABLE FOUR
RURAL CARRIER ASSOCIATE
STRAIGHT-TIME HOURLY WAGE RATES
Effective August 11, 2012

RSC R4 (NRLCA)	
HOURLY RATE	15.56***

*** Applies to rural carrier associates hired on or after August 11, 2012.

APPENDIX B TO THE OPINION AND AWARD DATED JULY 3, 2012

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE
UNITED STATES POSTAL SERVICE
AND THE
NATIONAL RURAL LETTER CARRIERS' ASSOCIATION**

Evaluated Compensation System Time Standards Project

It is critical to both parties that the Evaluated Compensation System be fair and reasonable. Presently, the results of periodic mail counts are applied to over 40 time standards to determine the annual evaluation of each of the approximately 75,000 rural routes. The fairness and reasonableness of each assignment's standard time depends on the accuracy of the time standards and the variance of individual assignments and daily workload from the average day/average assignment that the standards assume. Both parties recognize that some standards are too "loose" and some are too "tight" (i.e., provide more or less time than is necessary to accomplish the specific task). Taken as a whole, the existing standards may fairly compensate many, if not most, of the rural routes. But for many other routes, the standards as a whole do not accurately reflect the time necessary to complete the duties of the route. For some routes, the standards provide too much time. For others, they provide too little time.

The proper establishment of time standards is encompassed by scientific principles of work measurement within the field of Industrial Engineering. None of the existing standards, many of which date to 1954, have been established scientifically to ensure that each is individually accurate. The parties each have been advised by leading Industrial Engineers and, as a result of that advice, are convinced that now is the time to properly and thoroughly study and reevaluate all standards in the Evaluated Compensation System and to introduce an electronic on-board recorder (EOBR) device on each delivery vehicle that incorporates a global positioning system (GPS), clock timing and communications components to accurately capture vehicle and carrier performance such as route of travel, speed of travel, acceleration/ deceleration, location of stops, and length of stops. To that end, the parties have agreed to jointly undertake an Evaluated Compensation System Time Standards Project in accordance with the following terms:

1. The Project will be headed by a three-member Panel. Each party will appoint a member of its choosing, within 30 days of the date of the Opinion and Award to which this Memorandum of Understanding is attached as Appendix B. These individuals shall be professional industrial engineers with relevant experience in sound industrial engineering principles and modern computer technology related to work measurement and delivery route design. Within 60 days thereafter, those two Members will select and engage the Chairperson, who shall be a professional Industrial Engineer

who possesses the same qualifications. In the event the two members are unable to agree on a Chairperson, a neutral arbitrator who is a member of the National Academy of Arbitrators will decide who will be the Chairperson.

2. The Chairperson, with advice and input from the Party-appointed Members, will design, within 180 days, a study plan to permit the collection of sufficient data to enable the establishment of time standards, in accordance with generally accepted industrial engineering principles, that fully encompass the work required to be performed by Rural Letter Carriers and provides for the introduction of electronic on-board recorder (EOBR) device on each delivery vehicle as noted above.

3. The Chairperson shall be responsible for the collection of data, the analysis of the data, and the establishment of appropriate time standards and recommendations within the context of the parties' traditional incentive system. The Chairperson may engage sufficient additional qualified professional industrial engineers and/or necessary staff to accomplish these tasks in a timely manner. The Party-appointed Members (or their designees) shall be permitted to observe and comment during the process of collecting and analyzing the data.

4. The Chairperson shall make a recommendation for a revised Evaluated Compensation System to the parties within the context of the parties' traditional incentive system. The parties will have thirty (30) days to evaluate and comment on the Chairperson's recommendation. Within 90 days of the receipt of the parties' comments, the Chairperson shall make the final determination with regard to the revised Evaluated Compensation System. Both parties agree to be bound by that determination, and the determination shall not be subject to grievance or arbitration by either party.

5. The revised Evaluated Compensation System will be effective with the next scheduled mail count.

6. The parties agree that no standards changes shall be proposed prior to the Chairperson's final determination of the revised Evaluated Compensation System, except that Article 34 may be utilized for any new work functions assigned to rural letter carriers.

7. Thereafter, any future changes or additions to the time standards and other components of the revised Evaluated Compensation System will be established consistent with the processes established by the Chairperson in his final determination with regard to the revised Evaluated Compensation System. The parties agree to renegotiate the provisions of Article 34 so as to reflect the processes developed by the Chairperson's final determination and to provide that either party may call for a review of one or more standards.

8. The parties will each bear the costs of their respective party-appointed Members and their designees. The Postal Service will bear the costs of the Chairperson and other costs of the Project.

9. The parties agree to proceed in good faith and in all due haste so that the revised Evaluated Compensation System will be implemented by May 20, 2015.

The parties also recognize that there may be benefits to introducing daily dynamic routing to rural mail delivery. Accordingly, the parties agree to establish a joint team to study the advantages of daily dynamic routing and to identify delivery operations and routes where it is appropriate. The parties agree to proceed in good faith and in all due haste to complete this study by May 20, 2015.

APPENDIX C TO THE OPINION AND AWARD DATED JULY 3, 2012

**ARTICLE 21
BENEFIT PLANS**

Section 1. Health Benefits

The method for determining the Employer bi-weekly contributions to the cost of employee health insurance under the Federal Employees' Health Benefits Program (FEHBP) will be as follows:

- A. The Office of Personnel Management shall calculate the subscription charges under the FEHBP that will be in effect the following January with respect to self only enrollments and self and family enrollments.
- B. **For career employees on the rolls prior to the effective date of this Agreement, the bi-weekly Employer contribution for self only and self and family plans is adjusted to an amount equal to 81% in 2012, 79% in 2013, 78% in 2014, 77% in 2015 and 76% in 2016 of the weighted average bi-weekly premiums under the FEHBP as determined by the Office of Personnel Management (OPM). The adjustment begins on the effective date determined by OPM in January 2012, January 2013, January 2014, January 2015 and January 2016. For career employees hired on or after the effective date of this Agreement, the bi-weekly Employer contribution for self only and self and family plans in Plan Years 2012 through 2015 is adjusted to an amount equal to 77% of the weighted average bi-weekly premiums under the FEHBP as determined by OPM. The employer contribution will be adjusted to 76% in January 2016.**
- C. The weight to be given to a particular subscription charge for each FEHBP plan and option will be based on the number of enrollees in each such plan and option for whom contributions have been received from employers covered by the FEHBP as determined by OPM.
- D. The amount necessary to pay the total charge for enrollment after the Employer's contribution is deducted shall be withheld from the pay of each enrolled employee. To the extent permitted by law, the Employer shall continue to permit employees covered by this Agreement to make their premium contributions to the cost of each plan on a pre-tax basis, and shall continue to extend eligibility to such employees for U.S. Postal Service's flexible spending account plans for unreimbursed health care expenses and work-related dependent child care and elder care expenses as authorized under Section 125 of the Internal Revenue Code.
- E. **For career employees on the rolls prior to the effect date of this Agreement, the limitation upon the Employer's contribution towards any individual employee shall be 84.50% in 2012, 82.25% in 2013, 81.25% in 2014, 80.25% in 2015, and 79.25% in 2016 of the subscription charge under the FEHBP in 2012, 2013, 2014, 2015 and 2016. For career employees hired on or after the effective date of this Agreement, the limitation shall be 80.25% for 2012 through 2015, and 79.25% for 2016.**

Section 2. Health Benefit Brochures

When a new employee who is eligible for enrollment in the Federal Employees' Health Benefit Program enters the Postal Service, the employee shall be furnished a copy of the Health Benefit Plan brochure of the Union.

Section 3. Life Insurance

The Employer shall maintain the current life insurance program in effect during the term of this Agreement.

Section 4. Retirement

The provisions of Chapter 83 of Title 5 of the U.S. Code and any amendments thereto shall continue to apply to employees covered by this Agreement.

Section 5. Injury Compensation

Employees covered by this Agreement shall be covered by subchapter I of Chapter 81 of Title 5 and any amendments thereto relating to compensation for work injuries.

The Employer will promulgate appropriate regulations which comply with applicable regulations of the Office of Workers' Compensation Programs and any amendments thereto.

APPENDIX D TO THE OPINION AND AWARD DATED JULY 3, 2012

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE
UNITED STATES POSTAL SERVICE
AND THE
NATIONAL RURAL LETTER CARRIERS' ASSOCIATION**

Negotiation of a Separate USPS Health Benefits Plan

The Postal Service is pursuing a separate health care benefits plan outside of the Federal Employee Health Benefits Program (FEHB) for all active postal employees and eligible retirees who retire on or after January 1, 2013.

The parties agree to reopen negotiations to bargain over the participation of the National Rural Letter Carriers' Association bargaining unit in a separate postal health care plan in the event that either of the following occurs:

1. Congress passes legislation that requires, permits, or encourages the Postal Service to include employees in a separate postal health care plan through collective bargaining;
2. Another major postal union or unions agree(s) to participate in a separate postal health care plan.