



A RECAP OF 2016

BARGAINING WITH THE POSTAL SERVICE

With the 2016 round of collective bargaining between the NPMHU and the Postal Service extended beyond the midnight deadline on May 20, 2016, we thought it would be helpful to summarize the bargaining to this point in time:

Collective Bargaining Under the PRA

The framework for collective bargaining between the U.S. Postal Service and its major unions — including the NPMHU — is governed by the Postal Reorganization Act of 1970. Bargaining begins when one party to the contract serves a written notice to the other of an attempt to modify the current agreement. Under Article 39 of our National Agreement, this notice must

be served “not less than 90 nor more than 120 days” before contract expiration. As a result, the parties have only a short period of time — essentially from February until contract expiration on May 20 — in which to agree on the changes proposed by both sides to the existing contract. During this time, the parties are required to adhere to procedures that they mutually adopt before the start of bargaining.

If the bargaining process results in a tentative agreement between the parties, that agreement is subject to a ratification vote by the membership of the NPMHU. As required by the NPMHU National Constitution, the vote would be by mail ballot. It would be run in accordance with procedures agreed upon by

the National Executive Board. If and when a tentative agreement is reached, the mail ballots would likely be distributed approximately one month thereafter.

If the parties fail to reach a tentative agreement, the PRA allows for several alternative courses of action and encourages the parties to mutually decide upon which to pursue. One option, and the one most often followed by the parties, is to agree to dispute resolution procedures on their own. In this regard, the NPMHU and the Postal Service already have agreed in ground rules for this year’s bargaining to have their respective lawyers discuss the adoption of dispute resolution procedures in the days leading up to May 20 or any mutually agreed extension. If



NPMHU National Bargaining Team addressing the leadership.

the parties cannot agree on procedures to govern the resolution of their dispute, then they must defer to the provisions of the PRA, which mandates a particular procedure.

The PRA-dictated procedure contains several steps, and can be summarized as follows: First, the Federal Mediation and Conciliation Service (FMCS) would establish a 3-person factfinding panel. Two of the members would be selected by the respective parties from a list of 15 names given to them by the FMCS. The third person would be selected by the other two or, if they cannot agree, by the Director of the FMCS. The factfinding panel then would have 45 days in which to investigate the bargaining dispute and issue a report of its findings.

If an agreement still has not been reached after the factfinding, the PRA requires the establishment of an arbitration board within 90 days of contract expiration. This board generally consists of three members — one appointed by the Union, one appointed by the Postal Service, and a third (neutral) member. This neutral member is appointed either by agreement of the two other members or, if they cannot agree, by the Director of the FMCS.

After the arbitration board is selected, it holds a hearing in which both parties are given the chance to present evidence. The board is required to make a decision 45 days after its appointment. This means an arbitration award would not be issued until at least 135 days after



(l-r) Vice President, Western Region Rudy Santos and Local 320 President Alex Cervantes working together during the meeting.



LIUNA International President Terry O'Sullivan updating the NPMHU leadership on several topics to open the Bargaining Update meeting.



NPMHU National President Paul Hogrogian updating the leadership on bargaining status.

contract negotiations expire. In past rounds of bargaining, however, the parties often have extended these deadlines for many months in order to continue bargaining or wait for related proceedings to be completed.

Most importantly, the PRA states that the ultimate arbitration decision is “conclusive” and “binding,” meaning both parties must accept it.

Bargaining Underway

As of early March, representatives of the USPS had met at least three times with representatives from the NPMHU Negotiations Team for productive rounds of on-the-record meetings.

The purpose of these meetings was to introduce and explain all of the parties’ official bargaining proposals. Typically the Union presents its proposals first, followed by counter-proposals from the Postal Service a few weeks into bargaining. This year, the NPMHU presented over 120 bargaining proposals, covering the full panoply of topics covered by the National Agreement. In response, the Postal Service offered only 25 proposals of its own, but as usual these management

proposals sought substantial givebacks or concessions from the bargaining unit comprised of the mail handler craft.

Over the course of the on-the-record meetings, President Hogrogian has taken the lead in explaining the Union’s noneconomic proposals to USPS representatives at the main table. Some of these proposals came out of the Field Negotiating Committee that convened in October 2015. Others were conceived by members of the NPMHU National Executive Board and Negotiations Team to address some of the National Agreement’s most pressing concerns.

The proposals varied in intent and substance. A handful of the proposals contained simple cosmetic changes, for example updating dates and correcting typographical errors. Others were more dramatic — changes in benefits, work hours, seniority and the posting of bids, and securing more contractual protections for Mail Handler Assistants.

At these main table sessions, the Postal Service’s bargaining team, led by its chief spokesperson Patrick Devine, asked questions aimed at understanding the purpose of the proposals brought forward. Sometimes the USPS sought clarification, for others the Postal Service promised further inquiries during the coming weeks. Concrete discussions about the viability of certain proposals were just beginning in the month of March. Those conversations continued in the following weeks, more frequently and more

openly, once the pace of negotiations picked up through continuing main table discussions and numerous subcommittee meetings.

The Union worked to prepare its final set of proposals — those addressing economic issues, including wages, benefits, premiums and differentials, and subcontracting as authorized under Article 32.

The NPMHU and the Postal Service had now been engaged in collective bargaining for approximately one month. The parties met an average of three days per week. Some of the meetings were on the record (also known as “main table”) and some were off the record, in the form of more informal but focused subcommittees. The meetings occurred even more frequently as bargaining moved forward.

The main table sessions were centered on the official introduction of proposals from both sides. Under the governing ground rules for negotiations, no proposal could be considered if it had not been presented to both sides in this formal setting. And almost every time the parties met, they exchanged counterproposals — sometimes orally and sometimes in writing.

The parties also formed several subcommittees, which met in their own sessions. These meetings were off the record and focused on particular portions of the National Agreement, considering any related proposals as a group. At least seven subcommittees were formed, including separate subcommittees on Articles 7 (Employee



Local 297 President Chris Bentley with a question for the panel.



(l-r) Local 310 President Andy Badilishamwalimu and Local 306 President June Harris discussing the day's agenda.



President Hogrogian discusses bargaining process with Local President.



(l-r) Local 302 President Ernie Grijalva and National President Paul Hogrogian engaged in discussion over bargaining.

Classifications), 8 (Hours of Work), 11 (Holidays), and 12 (Principles of Seniority, Posting, and Reassignments), as well as subcommittees on Subcontracting (Article 32), Mail Handler Assistants, and Memoranda of Understanding and Letters of Intent (MOUs and LOIs).

Each of these subcommittees met to hash out each proposal, with representatives from both parties knowing that they were able to speak freely. The privacy of the off-the-record sessions allowed for a more open discourse between the parties. Both the Union and the Postal Service were able to articulate their positions frankly and to ask their questions directly.

The subcommittee sessions ran smoothly, but there was still much more work to be done before there could be any sense of progress. With most of the written proposals coming from the Union, most of the discussions was focused on NPMHU submissions. The Postal Service was only starting to draft its own specific proposals and counterproposals. Once those were presented, the parties began the hard work toward reaching some tentative agreements.



Local 329 President John Macon at the mic with a question.

USPS Proposals

At the main table session on Tuesday, April 5, the parties received and discussed several counter-proposals from the Postal Service. Each proposal was presented by a different member of the Postal Service’s bargaining team. At the end of each presentation, the Union had an opportunity to seek clarification and ask questions.

After meeting, the Union’s bargaining team researched and reviewed each aspect of the Postal Service’s proposals, all while working on writing proposals of its own.

Bargaining Advances

Bargaining entered its final phase in the month of May 2016. With the contract slated to expire at midnight on May 20, 2016, both the NPMHU and the Postal Service began to draft tentative agreements.

Tentative agreements, or TAs as they are known in the world of collective bargaining, are crucial to the practice of contract negotiation. They serve as markers of everything that is agreed upon during the period of negotiations. At the moment, both parties have signed off on only a handful of tentative agreements, but there certainly will be more to come.

Tentative agreements are the final step in the drafting process. They adopt language from proposals written and presented at the main table, taking into account the discussion and concerns that arise through the subcommittee sessions.



CAD Eastern Region Director Eileen Mills and Northeastern Region Vice President David Wilkin discussing the day's topic.

Often tentative agreements will have been preceded by amended proposals as well as counter-proposals. A rule of thumb for bargaining is the more time both sides spend evaluating a given proposal, the more strongly it is being considered as a possible agreement and the more heavily it will be edited before finalization.

That said, an uncontroversial proposal will not warrant much discussion. Those proposals are likely to evolve into tentative agreements. If one side agrees with the particular language included in the other side’s proposal, it may simply present the original proposal as a TA. This does not preclude the initial proponent of the proposal from suggesting edits before signing off on a final version.

In order to make it into the negotiated contract, a tentative agreement has to be approved by both parties. This approval, although fairly informal, is symbolic of agreement and progress. National President Paul Hogrogian and the Chief Negotiator for the Postal Service, Patrick Devine, even have shaken hands at the end of the initialing process.

It has to be remembered, however, that even though TAs may be signed, they are not binding. In fact, they mean very little until they are inserted into the contract at the end of bargaining. On this issue, it is important to quote directly from the Ground Rules signed by the parties prior to the start of 2016 negotiations:

“It is understood that tentative agreements reached by the parties on individual items are subject to the parties’ final and total agreement on the entire collective bargaining agreement. Tentative agreements on particular contract articles or subjects will be initialed (or signed) and dated by the chief spokespersons. . . . Should such a tentative agreement not be ratified by the eligible membership of the NPMHU, the current Agreement shall remain in effect, and the parties shall meet to agree upon dispute resolution procedures.”

The bottom line is that, unless there is an overall negotiated settlement agreement on the terms of the 2016 National Agreement at



Local 300 President Kevin Tabarus hard at work at the day's meeting.



Local 303 President Javier Valencia engaged with the panel.



Local 322 Treasurer John Szewczyk at the microphone.



Local 311 Treasurer Roxie Olds Pride



Local 334 President Shelden Adams

midnight on May 20, 2016 or on a subsequent date agreed to by the parties, every tentative agreement previously initialed is considered null and void.

Both sides hoped to have many tentative agreements signed and placed into the National Agreement during the last week of bargaining. These final few weeks are crucial to the process of determining whether a negotiated agreement is achievable.

USPS Finances

The Postal Service presented the NPMHU bargaining team with its official, on-the-record Financial Presentation. This did not include a proposed wage or benefit package for the 2016 National Agreement, but rather focused on the Postal Service's current financial situation.

The presentation was slightly dated, primarily relying on data from Fiscal Year 2015 (ending on September 30, 2015) and the first quarter of FY2016 to reach its conclusions. It also focused on the termination of the exigent rate increase that led to a reduction in postage rates last month. However, it appears that the projections made in the presentation were fairly accurate. Outlined were the Postal Service's views on the root causes of its financial instability, the steps it has taken thus far to deal with this financial situation, and the additional actions that it believes are still necessary to cope with the formidable financial challenges that lie ahead.

Unsurprisingly, according to the Postal Service, the financial outlook is not great. The agency is currently operating under a total liability of \$101 billion. It has little hope of paying back its debts in the near future, and is virtually locked out of borrowing more money from Congress.

According to the Postal Service, its losses are caused primarily by the rapid decline in mail volume — especially first class mail. The Postal Service hopes to offset this volume decline by relying on the continuing increase in standard mail, as well as shipping and packages.

Unfortunately, that will be a tall order. Although the positive volume in package mail has been noticeable in recent years, the rates of increase would have to more than double to break even when compared to the loss in first-class mail. An increase of that proportion has never happened in the history of the Postal Service.

By far the largest expense of the Postal Service, of course, is that of labor. Labor costs, more specifically wages and benefits for all employees, account for nearly 80 percent of total Postal Service expenses. Mail handlers make up 6 percent of labor costs, and 5 percent of total costs.

As a result, the Postal Service continues to implement numerous cost cutting initiatives, many of which affect mail handlers. Between 2007 and 2015, it slashed the career workforce by 29 percent, and increased the size of its non-career workforce by 31 percent. Total workhours are also down 23 percent.

The Postal Service also sees value in reviving its capital investments. While cutting costs, the agency has to act simultaneously to update equipment, repair facilities, and deploy new machinery. It sees these investments as both sustainable and necessary.

The Postal Service also outlined a series of marketing strategies it has recently implemented, apparently to some success. Innovation is essential to staying competitive, even if some of these strategies might be contrary to the interest of certain union members. At some point during the next few years, for example,

the Postal Service expects to press forward with its closings and consolidations of mail processing facilities.

Notwithstanding the Postal Service's pessimistic presentation, the bottom line is that the economic condition of the Postal Service has improved since the last round of bargaining in 2011, with operational surpluses during the past few years. Revenues are increasing, and operational costs are decreasing, if only marginally.

A financially stable Postal Service certainly is in the best interest of the mail handler craft. The question remained, however, whether the economic proposals put forth by USPS management either individually or collectively, would represent the best course of action for the future of the Postal Service and for all mail handlers.

Final Stages of Bargaining

With the contract expiration date nearing, bargaining entered its final stage. The parties launched a series of meetings at a hotel in downtown Washington, D.C. These meetings occurred with increasing regularity as the week progressed.

Several tentative agreements had been initialed by both parties, and our hope was to have many more approved this final week. In addition, both sides were presenting economic proposals to be hashed out in the final days.

The purpose of meeting at the hotel was to further encourage the parties to work on reaching an agreement. With only one meeting room, and no scheduling conflicts, arranging meetings was quick and simple.

In addition to these meetings with the Postal Service, the Union also held a series of internal meetings. During these sessions, the bargaining team reviewed what had been discussed between the parties, and prepared for its upcoming



meetings with the Postal Service. This included researching proposals, drafting counter-proposals, or reaching out to the Local Unions or Regional Offices for more information.

Participation from the field was crucial during this last week of bargaining. Although the Local Unions were not sitting at the bargaining table, information they provided to the bargaining team was invaluable to the negotiations that took place.

The Final Days

As expected, a lot happened during the final days of this year’s regular bargaining period. The Postal Service and NPMHU negotiated right up until the clock struck midnight on Friday, May 20. Despite these efforts, however, an agreement on all of the outstanding terms and conditions of employment could not be reached before the deadline.

At the same time, there were many issues that the parties were able to resolve during the 90-day timeframe for initial negotiations. Both sides made considerable progress in this regard. President Hogrogian and USPS representative Patrick Devine initialed over twenty tentative agreements concerning workplace rules.

That said, these tentative agreements are null and void if the parties fail to reach an overall agreement on a new National Agreement. Thus, the Union and Postal Service agreed to extend their negotiations indefinitely. This gives both sides more time to talk through economics and work rules not yet settled.

On May 24, President Hogrogian shared this information and more with the Local Presidents attending the pre-scheduled contract meeting in Washington, DC. He expressed optimism about the likelihood that the National parties would

eventually be able to reach a negotiated settlement, followed by a ratification vote by the entire NPMHU membership.

Local Union Presidents and others in attendance at the contract meeting on May 24 had the opportunity to ask questions about the last 90 days of National bargaining. Their questions were both pointed and on point, demonstrating a high level of knowledge and interest in the bargaining process.

President Hogrogian Reports

Let me start with the bottom line: As everyone presumably knows by now, our contract negotiations with the Postal Service have been extended indefinitely, and bargaining will continue as long as progress is being made. We have made significant progress, but we are not quite there yet. In some prior rounds, bargaining was extended with a good chance of reaching an overall agreement in the next few days or a week or two. This extension is unlikely to result in a very quick agreement. On the other hand, this extension is likely to be the type of extension that actually results in a negotiated settlement.

Let me introduce all of the members of the NPMHU Negotiations Team. As you know, I served as chief spokesperson for the Union throughout bargaining, but every member of the bargaining team played a substantial role in the process and all team members worked extremely hard and put in countless hours:

- Mark Gardner, National Secretary-Treasurer
- TJ Branch, Manager, CAD
- Tim Dwyer, CAD Representative/
National Shop Steward Trainer
- Teresa Harmon, CAD Representative
- Kevin Fletcher, CAD Representative

- Robert Blum, CAD Representative/
Assistant to the National President
- Bruce Lerner, General Counsel
- Matt Clash-Drexler, Attorney, Bredhoff & Kaiser
- Hillary Hubley, Paralegal, Bredhoff & Kaiser

The process began almost a year ago, when the National Office solicited proposals from the entire membership and from all Local Unions for possible contract proposals. Each and every one of those proposals (700 or more) was fully reviewed by the Field Negotiating Committee, which met for a full week here in Washington during October of last year.

Recommended proposals were reviewed, revised and eventually submitted to the Postal Service since the end of February, when bargaining began. The Union submitted 97 pages with proposals, but some of those pages had more than 1 proposal, so we probably submitted about 120 or 125 proposals. The USPS submitted about 25 of its own proposals, and the parties exchanged hundreds of counter-proposals through the 90 days of bargaining.

As background, and very important background, each and every round of bargaining is affected by:

- USPS finances
- USPS plans on closings and consolidations
- USPS plans on meeting service standards
- What is going on with legislation and postal reform

AND

- Related bargaining with the other postal unions

Turning first to USPS finances,

- Volume up, especially package mail
- Operating surplus this year already at \$1.833 billion



- BUT the Postal Service was just forced to lower its rates effective April 10, 2016, when the exigent rate increase of 4.3% had to be eliminated
- Will cost the USPS over \$1 billion this year and \$1.8 billion next year; followed by a total review and revision to the rate-making process in 2017 and 2018
- RHBF prefunding requirement of \$5.5 billion per year
- This is not exactly an ideal environment during which to conduct bargaining

Closings and consolidations are now the subject of a moratorium, and the Union still is pressing its PO-408 National arbitration, but such restructuring could be resurrected next year or beyond. There also is much uncertainty about postal reform, and its chances of passing during this Congress.

As for the status of other unions and their bargaining during this round: The Rural Letter Carriers reached an agreement, which was ratified by about an 85% margin. History has shown that once one Union settles, interest arbitrators usually have imposed that pattern on other unions. That agreement contained three-years with wage increases of 1.2, 1.3, 1.3 percent. The APWU just completed arbitration hearings, with a decision expected sometime in June. The NALC was bargaining at the same time as NPMHU, and they also agreed to extend negotiations.

During bargaining, the Postal Service introduced various draconian or nuclear proposals. These included the following:

- Declare all LMOUs null and void, and allow local bargaining only over specific requirements of the National Agreement
- No pay for union representatives at Step 1 or Step 2
- Additional unlimited exception periods for casual employees, covering all of September to December each year
- Scheduling of MHAs and casuels for OT before the OTDL or FTR volunteers
- Scheduling MHAs for holidays before FTR holiday volunteers



- FLSA overtime only for career employees
- Mandatory implementation of MAP
- Eliminating the no-layoff clause

The NPMHU priorities have not changed:

- Continuation of general wage increases and COLAs
- Continuation of the no-layoff clause
- Dealing with MHA issues and improving their pay and work rules
- Improving Article 12 with regard to reassignments
- Subcontracting, or actual insourcing of our work

We have reached a good number of tentative agreements that meet these goals, that we are hopeful will pave the way for an eventual comprehensive agreement. However, there is no agreement on anything until there is a final agreement on everything.

The Residual Vacancy MOU has been extended. Originally negotiated in August 2015, it provides for a pecking order for filling residual vacancies. We negotiated an addendum in February 2016 to incorporate the 1 in 4/1 in 6 ratios to guarantee that in 200 workyear offices there would be 3 MHA conversions for every transfer accepted. This MOU has resulted in approximately 1,500 MHAs being converted to career FTR status. The parties are continuing to bargain of the terms of

the Residual Vacancy MOU, and we expect the negotiated MOU to expedite the time it takes to fill residuals and to expedite even more conversions of MHAs to career FTR status.

The outstanding issues include subcontracting, the percentage of non-bargaining employees, various MHA issues, pay rates, various Article 12 issues regarding excessing, and the length of the contract.

Both parties have issued simple statements saying that we have extended negotiations, and hope to reach a voluntary settlement. If a settlement is reached, the tentative agreement will be sent out to the field for ratification.

In the meantime, there is an agreement allowing mail handlers to bid under the new contract beginning May 21, with successful bids to be counted toward the bid maximums established by the 2016 National Agreement.

So it has been a long and tough process, and it certainly is not over yet. The NPMHU entered this round of bargaining with the knowledge that we are fully prepared to do battle, and the Postal Service knows that we have the people needed and the financial resources for whatever battles might lie ahead.

I again want to thank the Negotiations Team, and all of the Local Unions and members who have continued to support our efforts.



NPMHU National CAD Manager Thomas Branch addresses the leadership