



National Postal Mail Handlers Union

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January 19, 2016

TO: All Local Presidents
National/Regional CAD

FROM: Paul V. Hogrogian, National President PVH
T.J. Branch, Manager, CAD JTB

RE: Resolution of National Level Grievance No. Q11M-6Q-C 14046856,
Subcontracting of Non-Machinable Outside (NMO) Parcels

The National Office is pleased to attach a written resolution of the NPMHU's National-level grievance over the possible subcontracting of sorting and processing Non-Machinable Outside (NMO) parcels. As set forth in the attached agreement, the NMP pilot test has ended; the NMO parcel operation is back to its normal operating procedures; and the Postal Service has ceased further evaluation of outsourcing for NMO parcels.

By way of background, and as reported in previous CAD Reports, the NPMHU first received a notification from the Postal Service regarding a pilot test on the sorting and processing of originating and destinating NMOs – at the Des Moines, IA and Chicago, IL Network Distribution Centers – in August 2013. An initial meeting with USPS representatives to contest this pilot was held days later, on August 27, 2013, at which the NPMHU objected to the potential subcontracting.

The CAD made various arguments, including the following points:

-- at least in Chicago, where the prevailing wage under the Service Contract Act is \$18.12 base pay per hour, and as much as \$24 with benefits, the contracting out would cost more money.

-- either management was blatantly lying to the NPMHU about what information the USPS had, or management was drafting a Statement of Work before sufficient information was known.

-- the pilot, even if only 6 months in 2 locations, qualified as subcontracting having a significant impact on mail handler work.

-- the pilot was inconsistent with Article 32 and related MOU in the 2011 National Agreement, as set by the Fishgold Award.

A formal grievance was filed in early January 2014, which in part read as follows:

In accordance with the provisions of Article 15, Section 15.3(D) of the National Agreement, the [NPMHU] hereby files a grievance challenging the Postal Service's decision to enter into the "Non-Machinable Outside Parcel Pilot" contract with United Parcel Service. A partial copy of the contract was provided to the Union by email dated December 11, 2013, and various attachments to the contract were provided to the Union by email dated December 16, 2013. The stated purpose of the contract is to pilot the potential subcontracting of the processing of Non-Machinable Outside parcels in and near the Network Distribution Centers in Des Moines, IA and Chicago, IL. The decision to enter into this contract was inconsistent with Article 32 of the National Agreement, as well as the MOU on Article 32 that appears on page 63 of the February 15, 2013 Fishgold Arbitration Award, and presents the following interpretive issues that need to be addressed at Step 4:

- 1. Did the Postal Service fail to give "due consideration to public interest, cost, efficiency, availability of equipment, and qualification of employees" when evaluating the need for this subcontract?*
- 2. Did the Postal Service fail to comply with Article 32.1B's requirements regarding an initial Comparative Analysis Report, consideration and statement of the Union's views, and Decision Analysis Report?*
- 3. Is the Postal Service allowed to ignore the requirements of Article 32 by declaring a subcontract of at least six months in duration to be part of a pilot project?*
- 4. Did the Postal Service (as well as its supplier, the United Parcel Service) violate the terms of the Service Contract Act and its implementing regulations when entering into this subcontract?*

By January 28, 2014, when NPMHU representatives and the Postal Service met again, the CAD was able to ask questions of the management official who allegedly was in charge of the subcontract in the summer of 2013. He essentially admitted that the contract was granted to the United Parcel Service well before any notice to the NPMHU or others.

The NPMHU continued to pressure the Postal Service to reverse its prior decisions and/or to conclude that both the pilot project and any further expansion of that project are not justified. By letter dated May 15, 2014, the Postal Service informed the NPMHU National Office that it was ramping down the pilot sites over a four-week period ending during the first week of July. The letter went on to state that “[t]here has been no decision at this time regarding any further implementation” of the NMO parcel pilot program.

The National Office then was notified that the Postal Service would retain an outside consultant to review the results of the NMO pilot program. In particular, by letter dated August 15, 2014, the National Office was informed that the Service hired a consultant to determine whether the Postal Service should move forward with nationwide outsourcing. The letter further noted that “the decision to outsource NMO work will not be considered until the analysis of the NMO pilot is complete.”

After filing a comprehensive information request and requesting another meeting, the National CAD met with the consultant on January 8, 2015, at which time the parties discussed several issues, including (1) that the focus of the Postal Service and its consultant, at this point, is on transportation costs, and that labor costs are now secondary, and (2) that the Postal Service’s pilot contract with UPS may have violated the wage requirements of the Service Contract Act.

For much of the past year, the Postal Service essentially was silent on their NMO pilot. Only recently, after the Postal Service made clear that the NMO outsourcing would not move forward, was the attached settlement executed.

Please disseminate as you deem appropriate. And please do not hesitate to call if you have any questions.

Cc: Mark A. Gardner, National Secretary-Treasurer
National Executive Board



Paul V. Hogrogian
National President
National Postal Mail Handler Union
Washington, DC 20005-4128

Re: Q11M-6Q-C 14046856
Class Action
Washington DC 20260-4100

I met recently with your representative, TJ Branch, to discuss the above captioned grievance.

The issue of this grievance concerns the pilot testing of the subcontracting out of sorting and processing of originating and destinating, non-machinable outside (NMO) parcels from December 10, 2013 through June 26, 2014.

After reviewing this matter, the parties agree to resolve this grievance based on the following:

1. The NMO pilot test has ended.
2. The NMO parcel operation is back to its normal operating procedures.
3. The Postal Service has ceased further evaluation of outsourcing NMO parcels.

The grievance is withdrawn from Step 4 without prejudice to either party's position should a related issue present itself in a subsequent proceeding. Please sign and return the enclosed copy of this letter as your acknowledgment of agreement to remove it from the Step 4 listing.

Time limits at this level were extended by mutual consent.

Handwritten signature of Michele Ditchey in black ink.

Michele Ditchey
Labor Relations Specialist
Contract Administration, NPMHU

Date: 1-12-2016

Handwritten signature of Paul V. Hogrogian in black ink.

Paul V. Hogrogian
National President
National Postal Mail Handlers
Union, AFL-CIO

Date: 1-11-2016