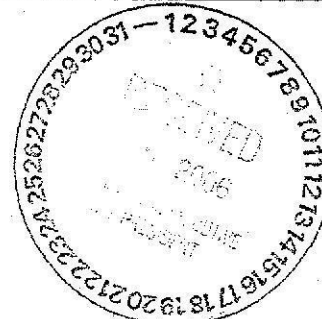




May 26, 2006

Mr. Cliff Guffey
Executive Vice President
American Postal Workers
Union, AFL-CIO
1300 L Street, NW
Washington, DC 20005-4128

By FAX : 202-842-4297
Certified Mail#: 7005 1160 0001 5016 0120



RE: Q00C-4Q-C 06103264
Washington, DC 20260-4100

Dear Cliff:

On April 27, 2006, we met to discuss the above-captioned case at the fourth step of our grievance/arbitration procedures. In accordance with Article 15.2.Step4.a, this constitutes the Postal Service's understanding of the issue involved.

The interpretative issue presented is whether there is a violation of the national agreement, specifically articles 1, 7 and 19, when contracts are let for a Contract Postal Unit (CPU) to contractors who do not own the property/facility.

Background:

This issue was brought to light when the local union filed three grievances on or about November 23, 1993 alleging a violation of the national agreement when CPUs were established at Vance Air Force Base in Enid, OK; and LaMesa Station, also in Enid, OK. Those local grievance numbers are G90C-4G-C 94016792, 94016793, and 94016795, respectively. In sum, the union asserted in those grievances that the Postal Service violated the national agreement by letting contracts for CPUs to contractors who do not own the facility, and that the contractors are performing bargaining unit work because postal employees "interact" with contract employees.

In 1995, those local grievances were appealed to Step 4 under the pre-1998 Article 15 procedures. On March 15, 1995, the Step 4 grievance was denied. On March 16, 1995, the union appealed the grievances to national arbitration. On August 10, 2004, the parties remanded the local grievances back to Step 3 pursuant to the Memorandum of Understanding dated June 3, 2004, citing that no national interpretive issue existed and that the matter was suitable for local determination, including arbitration. On August 9, 2005, The Step 3 grievance was denied and the union appealed the grievance to regional arbitration on August 22, 2005. By letter dated January 13, 2006¹, the union initiated the instant dispute anew under the current Step 4 interpretive review procedures.

¹ The original letter notifying the Postal Service of its initiation of an interpretive dispute was administratively misplaced and not located until after the APWU made an inquiry on or about April 21, 2006 concerning the status of the dispute.

Position of the Parties:

The APWU asserts that Postal handbooks and manuals govern the operation of CPUs; which under Article 19 of the national agreement requires compliance when those provisions directly relate to wages, hours and working conditions. Furthermore, the union claims that when a customer service facility does not meet the criteria for a CPU under postal handbooks and manuals, then that facility is a postal facility and the assigned work belongs to the bargaining unit.

The Postal Service disagrees that Handbook AS 707F, *Contracting for Contract Postal Units*, July 1, 1989, (AS 707F) is a handbook covered under Article 19 of the national agreement. Article 19 specifically provides that "[t]hose parts of all handbooks, manuals and published regulations of the Postal Service, that directly related to wages, hours or working conditions, as they apply to employees covered by this Agreement..." CPUs do not relate to employees covered under the APWU collective bargaining agreement. That is, employees at a CPU are not postal employees, rather employees of the contractor. Moreover, the AS 707F is a handbook for field procurement personnel that includes guidelines and procedures for writing requirements, specifications and statements of work, soliciting proposals, evaluating offers, and awarding and administering contracts for CPUs. See Explanation Section of AS-707F.

The Postal Service also disagrees with the APWU's contention that a contractor must own the property/facility in order to be awarded a CPU contract. By definition, a CPU is "a contractor-owned and operated facility, under contract to the Postal Service and under the jurisdiction of an administrative post office that provides selected postal services to the public." See Section 1.5.1 of the AS 707F. CPUs have a long history in the Postal Service. They were established to provide postal services in locations not large enough to warrant a post office or in locations which could provide additional and useful service to the public in a cost efficient manner. See Sections 2.1.2 and 2.1.3 of the AS 707F. It has never been a contractual requirement for the contractor to own the facility in which the CPU is located. Rather, the contractor owns and operates the business. CPUs have been established in locations such as airports, strip shopping centers, colleges and universities, pharmacies, grocery stores, and as in the local grievances cited above, on military bases. A key point is that none of those CPU designated facilities are owned by the Postal Service, contrary to the union's assertion that if the contractor does not own the facility, then it is postal property.

Lastly, the Postal Service believes that the interpretive issue is limited to the one defined above. More simply put, whether the contractor must own the facility/property in order to be awarded a CPU. Should the APWU appeal this case to arbitration, then as agreed to by the parties, the original appeal date to arbitration, i.e. March 16, 1995, will be used for scheduling purposes. In addition, the local grievances outlined above should be held in abeyance at the level of the grievance procedure at which they were referred for interpretive review, until final disposition of this matter.

Step 4 time limits were extended by mutual consent.

Sincerely,



Mary Hércules
Labor Relations Specialist
Contract Administration (APWU)