

## **The Role of Pilot Projects in Facilitating Changes in Work Organization in the Postal Sector: A Canadian Case Study**

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Paper presented to the Rutgers University 12th Conference on Delivery and Postal Economics, in Cork, Ireland, June 2004

Throughout the world postal administrations and postal unions are coming under intense pressure as they try to cope with the economic, technological and political changes that are revolutionizing the communications industry. Email, the Internet, and electronic fund transfers pose enormous challenges to an industry whose culture remains heavily shaped by the security of public ownership, legislative monopolies, and ever increasing mail volumes and delivery points of call. The prospects of deregulation and privatization place further pressures on the postal sector. Increasingly private sector competitors demand open markets and challenge the legitimacy of publicly owned postal services.

As a result of these developments, tranquility and stability have been replaced with insecurity and doubt. Never before have postal services been subjected to so many conflicting pressures to change. Postal administrations are being required to simultaneously reduce costs and improve services. The pressures on labor are especially acute, and unions that represent the millions of postal workers worldwide must deal with demands for improved working conditions and increased wages and benefits. This process is complex under the best of circumstances, as integrated, nation-wide production processes have standardized work rules and practices that are embodied in collective agreements. Typically labour agreements are nation-wide covering many operations and extend for several years. There is a strong tendency to maintain the *status quo*.

Introducing change would be difficult even if management and labour had the same objectives. However this is not the case. Managers often perceive work rules designed to protect health and safety as unnecessary impediments to productivity improvements. Proposals from either party are usually greeted by the other with a healthy dose

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of skepticism. There is a tendency of both sides to over-exaggerate the negative consequences of proposals made by the other.

In democratic societies, with a balance of rights and powers between labour and capital, it is unlikely that significant changes in the work process can be introduced without conflict unless both management and workers see benefits for themselves.<sup>1</sup> Is this possible? In such a labour intensive industry as the postal sector, is it possible to improve health and safety provisions at the same time as introducing new measures to improve productivity? Is it possible to reduce unit labour costs while expanding opportunities for full-time employment?

These are some of the questions that faced the management of Canada Post Corporation (CPC) and the leadership of the Canadian Union of Postal Workers (CUPW) as they negotiated a new collective bargaining agreement in 2000. Realizing they could not reach an agreement on the fundamental issues of work rules, workload, and contracting in, the parties agreed to establish a joint process to test the proposals of both parties and then evaluate the consequences. In 2003 the parties reached a collective agreement including significant changes in the work rules and work methods of letter carriers and in the processing and delivery of parcels.

This paper describes the joint process that was undertaken to achieve the collective agreement and some of the accomplishments included therein. As we note, the knowledge gained by the joint process of experimentation played a major role in shaping the proposals and responses of the parties in the 2003 negotiations and led to the successful resolution of many contentious issues.

## **1. BACKGROUND TO THE 2003 NEGOTIATIONS**

In many ways the 2003 collective bargaining negotiations were an extension of the failed negotiations of 1997. In that year the parties had entered that round of bargaining with diametrically opposed objectives. Canada Post was determined to cut the labour costs of the letter carriers and truck drivers by \$200 million. This would represent a reduction of approximately 4,000 jobs or 20 per cent of the full-time external work force. CUPW entered negotiations

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<sup>1</sup> A few years ago this looked quite a daunting prospect as noted in Clark and Bickerton (2002), which provides an evaluation of Canada Post's performance and labor relations.

determined to address the serious workload issues that it believed had contributed to a 35% rise in injuries during the previous two years.

To achieve significant staff reductions management tabled numerous demands designed to reduce what it considered to be “unproductive time”. The proposals included a requirement for letter carriers to eat their meals on the route instead of returning to their facilities for lunch, more use of private vehicles, greater management ability to adjust work standards, reduced use of public transport, more flexibility in providing replacement for absences and a change in the timing of the lunch period which would enable letter carriers to take their lunch break prior to leaving the office.

To address health and safety issues the union demanded the right for letter carriers to use carts, a reduction in the maximum weight limit, the re-inclusion of unaddressed ad mail into the work measurement system, and a process whereby mutual agreement was required prior to any change in the evaluated work standards. The union also demanded that parcel delivery work contracted out in 1989 should be re-integrated into postal operations.

The parties also had disputes on several other issues including benefits, wages, staffing, and job security. The negotiations did not succeed and a national postal strike commenced in mid November 1997. In early December 1997, after two weeks of strike action, the federal government intervened. The back to work legislation provided for a government appointed arbitrator who would decide on all of the issues in dispute with the exception of wages, which were stipulated in the legislation.

The legislation required the arbitrator to render his award within three months of his appointment. However the complexity of the issues resulted in the hearings lasting almost two years. This meant that the decisions of the arbitrator concerning work methods and work rules could not be effectively implemented prior to the expiry of the three-year agreement when they would once again be up for re-negotiation. Confronted with a situation in which the arbitrator’s decision would not likely resolve anything and more likely only lead to further conflict, the parties returned to the bargaining table in late 1999 to once again try and negotiate a settlement.

These negotiations were successful on many important issues such as job security, wages, health benefits, staffing, and pensions. However the parties were unable to resolve the above-mentioned central issues of workload, work process and the use of contract workers in the parcel delivery work.

## **2. A PROCESS TO TEST PROPOSALS**

During the proceedings before the arbitrator, the union argued he should not impose any major change in working conditions unless he was confident there would be no unforeseen negative consequences for the workers. The Union argued that any major change that might increase workload should be tested in the real world prior to its introduction on a nation-wide basis. The union believed that a process for testing its proposals was necessary, as management tended to overestimate the costs of the union's proposals. Eventually both parties recognized that negotiating significant changes in work rules and working conditions would only be possible if they had a shared perspective of the costs and benefits of the proposals and their implications for jobs and health and safety.

To overcome the impasse the parties agreed to a process to test the ideas of both parties prior to negotiating implementation. The purpose was to "review the collection and delivery systems currently in place and develop a new collection and delivery operating model designed to meet the needs of the employees, the Corporation, and the customers".<sup>2</sup> The agreement required the parties to establish pilot projects to test new collection and delivery models.. The provision, identified as Appendix AA in the collective agreement, (and referred to as the AA process in this paper,) permitted the parties to temporarily change provisions in the collective agreement to carry out the pilot projects and permanently introduce new conditions of employment after the completion of the pilot.

To develop and implement these projects a joint committee (the Appendix AA Committee) was established. At the outset it was agreed that the AA Committee would have to have significant resources and possess the power and credibility required to obtain the active participation and support of local management and union

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<sup>2</sup> Agreement Between Canada Post Corporation and the Canadian Union of Postal Workers. January 2000; Appendix AA. For the terms of the agreement go to: <<http://www.cupw.ca/pdfs/eng/cpc-cupw2000.pdf>>

representatives for the pilot projects. The agreement called for a working committee, involving four experienced and knowledgeable representatives of each party working full-time on the project, and a national steering committee comprised of two union national vice-presidents and two senior corporate representatives. All expenses of the national committees and any local committees were paid by management. This included paying the wages of local several union representatives who were booked off for many months to work full-time on pilot projects. Additionally the agreement provided for the union to receive funding of \$100,000.00 to be used to support its efforts. The financial support was extremely important enhancing the effectiveness of the union representatives to fully participate in the various initiatives. It permitted the union to provide necessary office and secretarial support and helped defray travel costs for union representatives and other employees.

Although Canada Post provided the funding, all decision-making required mutual agreement of both parties. By definition, the pilot projects required changes to the terms and conditions of the existing collective agreement. Since the consent of both union and management was required to amend the contract, both parties had an effective veto over the process, including the number and location of pilot projects, the issues that would be tested, and the means by which they would be evaluated.

There was an ambitious 14-month timeline included in the terms of the agreement requiring the review process to begin on February 17, 2000, and the implementation of the new operating model to be completed by April 21, 2001, well in advance of the expiry of the collective agreement on January 31, 2003. This timetable was never met.<sup>3</sup>

The agreement also provided for the Committee to jointly evaluate the results or any pilot project or test. The parties agreed that in order for any joint evaluation process to be credible both parties would require access to the same information sources. Both parties would identify the elements to be evaluated and would jointly develop the methodology and assumptions to be used in the evaluation process. It was agreed to evaluate the impact on employees, health and

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<sup>3</sup> For information on all of the projects and developments of the Appendix AA process go to the information bulletins section at the CUPW website <<http://www.cupw.ca>>

safety, corporate finances, and customer service. It was also agreed that only the parties would have access to any commercially sensitive information generated through the process. Since the purpose was to facilitate future collective bargaining negotiations it was agreed that data gathered during the process could be used in the next round of bargaining.

Both parties devoted significant resources to the evaluation process. Beginning in October 2001 senior representatives from the Corporation and the union began to establish the methodology for the evaluation process. From the very beginning of the Appendix AA process it was understood that the evaluation of the process was as important as the actual development and implementation of the pilot projects themselves.

## **2.1 Phase One: Analyzing the Environment**

The first decision of the Committee was to permit each party to present its perspectives on the past and current situation of Canada Post. As the employer representatives were drawn primarily from engineering, operations, and marketing it was necessary for them to become more aware of labour relations issues and practices. In addition to meeting with representatives of large volume mailers the parties invited outside experts, such as the Conference Board of Canada and the Institute of the Future, to provide information on the market situation, employees demographics, and future prospects of postal operations. Representatives from the Canadian Auto Workers and the National Association of Letter Carriers (USA) also made presentations on labour relations issues.

During this information-gathering phase the parties discussed the type of initiatives that could be taken under the AA process. Agreement was reached on several separate initiatives including the testing of a new A62 letter carrier case, the examination of different ways of calculating parcel delivery rates, a test of the City Mail Volume Index involving actual mail volumes received in the postal depot, the development of new software and training of union and management in the application of the collective agreement concerning staffing relief employees to replace absences, and the development of two research studies to examine the source of injuries and how they might be reduced. Each of these projects was designed to assist the parties to address long-standing issues in dispute and facilitate the next round of bargaining.

## **2.2 Phase Two: The Pilot Projects**

The most significant work of the AA committee was the development and implementation of three major pilot projects, involving significant changes in the work process and work rules in collection and delivery functions. These pilot projects were conducted in Winnipeg, Manitoba, Kelowna, British Columbia, and Burlington, Ontario. Each of the pilot projects involved several stages including, negotiation and agreement between the parties, planning and consultation with local management, the local union and employees, restructuring of work, implementation and adjustment, stabilization, and evaluation. It was planned that the evaluation would compare a one-year stabilized pilot project with a similar baseline period. However all pilot projects required significant modifications in the planned timeframes for introduction and evaluation.

In all locations the parties included numerous proposals from both union and management.. This was necessary to win the acceptance of the local employees and management to participate in the pilot projects. The simultaneous introduction of many changes, some perceived as positive and others as negative, created difficulties. It was difficult to evaluate the impact of any single initiative independently due to the integration of the production process and the inter-relationship between various initiatives.

The introduction of the pilot projects proved to be more difficult than planned. The original timetable called for completion and evaluation of the pilot projects at a time that would permit implementation of the new operating model to be completed by April 21, 2001. Instead, the pilot projects did not get off the ground until after this date. This delay meant that they could not be evaluated prior to the start of collective bargaining in November 2002. However the experience obtained in the pilot projects enabled the parties to reach a new collective agreement in 2003.

## **2.3 The Burlington Project**

The Burlington pilot project was conducted in one letter carrier depot involving 33 letter carriers and 5 postal clerks. Management proposals included a 4:00 a.m. or 5:00 a.m. start time enabling delivery prior to 1:00 p.m. A number of additional part-time, delivery-only routes were created to add sortation time to the full-time staff,

thereby reducing their on-street delivery time. This re-balancing of inside and outside duties allowed all the full-time letter carriers to have their meal break prior to leaving the station, thereby eliminating the travel time associated with the return to the facility at lunch. This model also involved the separate sequencing of mail by letter carriers from what they actually delivered, so that the inside sort and preparation duties were spread over all the carriers in the depot with the exception of the part-timers who started and ended on their route. A new method of “staffing to workload” involved a distinct staffing pattern for Monday, the heaviest day of the week for volumes, and a Tuesday-Friday scenario. On Mondays, and on other heavy volume days, part-time employees were extended to eight hours to assist in the sortation of mail. On the Tuesday-Friday scenario several part-time employees were scheduled to start and end their workday on route without reporting to the facility. The pilot also included the testing of delivery of larger sizes of householders that were not normally permitted under the collective agreement.

Several union proposals were also tested in Burlington. Employees were provided extra time to sort and prepare unaddressed admail. Contracted mail delivery in suburban areas was brought in-house. Instead of taxis, Canada Post employees performed the conveyance of letter carriers to their routes. Some residential delivery points that had been receiving community mailbox service were converted to door-to-door delivery by letter carrier. Since Canadian letter carriers go home upon completion of their route there is a tendency to take short cuts and work very fast. To reduce the incentive to work at an unsafe pace, letter carriers were required to punch-out after eight hours work instead of being permitted to leave early. Carts were made available to all letter carriers upon request.

## **2.4 The Kelowna Project**

This pilot project involved changes in the organization of work of 108 letter carriers working out of the two facilities in Kelowna. It involved testing several initiatives proposed by the union including greater motorization of letter carriers. This involved a “buddy system” with two letter carriers attached to most vehicles. Several pieces of work were contracted-in including parcel delivery, street letterbox clearances, relay box deliveries and pick-ups from customers. A letter carrier “customer contact” program was tested in which letter carriers received incentives to sign up customers to Canada Post products and generate sales leads. As in Burlington the parties agreed to test



the “eight hour day” concept requiring letter carriers to punch-out at a time clock at the end of their working day and the impact of making carts available to letter carriers.

Employer proposals tested in Kelowna included a distinct staffing model to deal with Monday volumes, meal on route for motorized workers, and the introduction of a system of parcel load leveling.

## **2.5 The Winnipeg Project**

This pilot project dealt with parcel delivery.. The parties agreed to contract-in the delivery of expedited parcels using a new work process and new work rules. This work had originally been contracted out as part of a national program in 1989. Contracting in this work effectively doubled the number of parcels delivered by Canada Post employees. Drivers were structured to take their meal in their delivery area instead of returning to a corporate facility and to pick up parcels from customers at the end of the day. In order to reduce unproductive time, the delivery area for each route was adjusted daily, based on the number of stops and the available delivery capacity. Also, the weekly work schedule was adjusted to provide longer hours of work on Mondays. Weekend delivery was introduced to meet customer demand and reduce the volumes for Monday delivery.

There were also two additional features that were common to all three pilot projects. In each project the union agreed to the creation of “composite positions”, which integrated work traditionally included in either the internal or external job classifications. In Winnipeg, these workers sorted sequenced and loaded parcels so that drivers could arrive to a pre-loaded vehicle. In Kelowna, composite workers performed inside duties and also performed some pick-up and delivery functions. In Burlington the composites performed the work of postal clerks and letter carrier assistants. Also, in all of the pilots, it was agreed to maximize the use of full-time staff and guarantee all part-time employees a minimum of 20 hours work per week. The parties signed a memorandum of agreement to amend the collective agreement and establish the new work rules for the pilots.

## **2.6 Joint Evaluation**

When the parties began negotiations for a new collective agreement in November 2002, the evaluation of the pilot projects was far from complete. However, the members of the national and local working

committees had been gathering data continuously from the beginning of the process. As a result, both parties had gained a significant appreciation of the impact of most of the initiatives on the four criteria of health and safety, impact on employees, service performance and finances.

From the beginning the parties attempted to establish an evaluation process that would be seen as credible, transparent and accurate. To examine the health and safety impact the parties decided to examine the injury experience, absenteeism, and answers to the employee questionnaires and focus groups. With respect to employee impact it was agreed to examine grievances, turnover and transfer applications, and training. It was also agreed to use surveys and focus groups to capture the experience of employees on all aspects of the pilot projects. Concerning customer impact the parties reviewed various measures of service performance including the rate of on time deliveries, returns and missed deliveries, customer complaints, sales revenues, and customer interviews and surveys.

The evaluation of cost and revenues included examination of hours paid by classification and type, benefit costs including paid leaves, householder allowances, vehicles, conveyance, real estate, contractor costs, volumes, revenues, absenteeism, grievances, uniforms, points of call by delivery agent, number of stops, and structured minutes of work. The parties used corporate data that already existed at the local and national levels and agreed to conduct special investigations needed to capture data not normally tracked through corporate information systems. The parties also agreed to examine the degree of managerial compliance to agreed upon work processes to ensure that results were attributable to the model and not to any incorrect managerial practices that might result from local management's resistance to the changes.

The parties recognized that some factors were impossible to accurately evaluate and that the absence of accurate data for some items might undermine the validity of the exercise. They also recognized the difficulties of evaluating several complex changes where various elements interact with each other and with other factors that are unrelated to the projects. To promote transparency it was decided to identify these issues as being subject to interpretation.

Several issues defined as areas subject to interpretation related to difficulties in obtaining baseline data. In some instances, such as service performance in Burlington, the Corporation did not keep separate statistics for delivery performance in that geographic area prior to the project. This is significant when evaluating a project in which the early start time may adversely affect delivery performance. For conveyance costs, the actual baseline costs differed significantly from the structured cost, undermining the usefulness of structure-to-structure comparisons. Likewise the uneven adherence to work rules undermined the credibility of the results. Inadequate reporting systems for contractor parcel volumes in the base year impacted on the accuracy of cost and productivity comparisons. The short evaluation period, undermined the usefulness of accident and absenteeism data.

The cooperative approach to the evaluation process was not without its problems. Impatient with the slow process of implementing the pilot projects the Corporation conducted its own preliminary assessment of a structure-to-structure cost analysis for each pilot project and presented these to the Union in July 2002. This data had been worked on by the Corporation without input or verification by the Union. It did not correspond to the actual experience of the pilot projects and was heavily biased by the inclusion of many one-time costs associated with the introduction of the pilot projects. Many costs not associated with the pilot projects were also included in this preliminary assessment.

After very strong objections by the union it was agreed that this document did not constitute a substitute for a proper evaluation of the actual pilot projects which would be jointly conducted comparing a period of time following the "stabilization date" with an equivalent base year period. Unfortunately the erroneous conclusions contained in this preliminary assessment concerning the cost of contracting in the processing and delivery of parcels in Winnipeg continued to be used as a reference point by some senior managers and negatively influenced managements negotiating strategy. To facilitate the collective bargaining negotiations on the union's demand to contract-in parcel delivery it was necessary for representatives of both parties to travel to Winnipeg in April and May of 2003, during the final stages of negotiations, to conduct a preliminary cost comparison so that management would have a more realistic assessment of the actual costs of contracting in the parcel work. The results of this analysis

were far more favorable with respect to the financial feasibility of contracting in the work.

### **3. THE 2003 NEGOTIATIONS**

Both parties entered negotiations with agreement on many major issues facing the Canadian postal service. There was agreement that volume of lettermail was threatened as a result of electronic diversion, although CPC believed this to be more of an imminent threat than did the union.<sup>4</sup>

Both parties also agreed that the injury rate of external workers was a major problem. . In the previous year fully 19% of full-time letter carriers had been injured on the job with 57% of these injuries being classified as disabling injuries. CUPW believed that this problem was related to increased workload while management emphasized the impact of weather and poor performance of local health and safety committees.

Both parties recognized the strategic need for Canada Post to expand its parcel business although there was no agreement on whether the work should be out-sourced or performed in-house.

Both parties agreed with the need for CPC to remain financially self-reliant, although the union maintained that there was no legislative requirement for CPC to continue to contribute significant dividends to the federal government. In the five years between 1997 and 2002 Canada Post had paid over \$466 million in dividends and income tax to the federal government. The union also objected to the CPC policy framework, which limited rate increases for products covered by the exclusive privilege to an amount that is two-thirds the overall national rate of inflation.<sup>5</sup>

Both parties also recognized the threat posed by the United Parcel Service (UPS) dispute with the Government of Canada claiming that Canada Post was engaging in cross subsidization of its parcel service and unfair competitive practices that is currently the subject of

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<sup>4</sup> Canada Post Corporation, Annual Reports 2000,2001, and 2002. For information on mail volumes go to <<http://www.canadapost.ca/segment-e.asp>>

<sup>5</sup> Canada Post Five Year Plan, 2003-2007.

arbitration under the provision of the North American Free Trade Agreement. Despite this consensus on many aspects of the economic and political environment facing the postal service there was no shortage of issues in dispute between the parties as they entered the 2003 negotiations. In addition to their differences on issues such as contracting in of parcel delivery, the hours of work for motorized employees, and letter carrier work rules, the parties had major differences with respect to wages, benefit plans, staffing of retail offices, pensions, the employment status of rural and suburban mail carriers and the rights of temporary workers.

The collective bargaining negotiations that began in November 2002 were heavily influenced by the experience of the parties during the two years of the operation of the Appendix AA Committee. The members of the local and national Appendix AA Committees served as advisors to their respective negotiating committees and were often directly involved in the negotiations process. On the union side, the working committee members of the AA Committee constituted most of the membership of the union's sub committees on parcel delivery and letter carrier work process.

The experience of the pilot projects directly influenced the proposals that ended up on the bargaining table. It is likely the negative experiences encountered with some of the initiatives in the pilot projects were a factor in the decision not to pursue the issue in negotiations. Examples of issues tried in pilot projects and not pursued in bargaining included a distinct "staffing to workload" model to deal with Monday volumes, delivery-only routes for part-time letter carriers, a 4:00 a.m. or 5:00 a.m. start time, and the requirement for letter carriers to punch out after eight hours of work instead of going home when they finish.

### **3.1 Parcels**

Most of the initiatives tried in the Appendix AA pilot projects did get to the bargaining table. Virtually all aspects of the Winnipeg pilot project on parcel delivery made it to the bargaining table and very many aspects of the pilot ended up being incorporated into the collective agreement. The union demanded that expedited parcels be contracted-in in all locations where they were still outsourced. The union proposed a minimum of 20 hours per week for part-time employees and a staffing model that would maximize the use of full-time employees.

The employer demanded their proposals that were being tested in Winnipeg such as:

1. A new classification of employees, composites, to sort and sequence the parcels.
2. Drivers to take their meal in their delivery area instead of returning to a corporate facility.
3. Structured pick ups from customers at the end of the day.
4. Daily adjustment of the delivery area for each route based on the number of stops and the available delivery capacity.
5. The ability to adjust the weekly work schedule to provide longer hours of work on Mondays.

In addition to of the changes that were part of the Winnipeg pilot project, Canada Post proposed the elimination of the one half-hour paid meal period for all Mail Service Couriers (parcel delivery drivers) and instead substituted a 3% wage increase. The Corporation also made proposals that would have made it easier to contract out parcel delivery work.

### **3.2 Letter Carriers**

With respect to the letter carrier model, many of CPC's original bargaining proposals were contrary to the spirit and objectives of the initiatives being tested in Burlington and Kelowna. Instead of promoting greater motorization through corporate vehicles, as was the case in the Kelowna pilot, CPC proposed greater use of private cars. Instead of looking towards reducing the delivery hours for letter carriers, as was the case in Burlington, CPC proposed longer continuous hours of delivery. Altogether management's proposals would have eliminated hundreds of letter carrier positions and increased the workload on letter carriers.

CPC's demands with respect to letter carriers included:

1. Motorized letter carriers and their buddies to be required to take their meal on route.
2. Early starts to be permitted.
3. Routes to be structured so that letter carriers could be required to deliver for 5 continuous hours.
4. Change public transportation routes to taxi or private vehicle routes.
5. Various new incentives for employees to use their private cars and take out their own bundles.

6. Conversion of all postal clerk positions, letter carrier assistants and night routers into one new function called Delivery Support with no guarantee to maintain or create full-time positions.
7. Increase the maximum size and weight of householders and reduce the number of days for delivery of samples.

The union's proposals focused on health and safety concerns and the need to ensure that changes to the work measurement system were negotiated. Specific proposals included greater rotation of duties, access to carts for letter carriers, reduced maximum weight limits, training for health and safety committee members, expansion of door to door delivery by letter carriers, improvements in the barchart system for the replacements of absences, the installation of a City Mail Volume Index based on actual counts of mail, the reinstatement of householder time values in determining the workload of letter carriers, increased union involvement in the restructuring process, in-house conveyance of letter carriers to their routes, no compulsory overtime, and an end to the use of private vehicles. The union also proposed the establishment of composite positions to combine the work of various classifications to permit more full-time jobs.

#### **4. A COLLECTIVE AGREEMENT**

The 2003 negotiations ended with a negotiated collective agreement, reached in July 2003 after 9 months of bargaining. It involved 66 major changes to the collective agreement.<sup>6</sup> The most significant breakthrough was the conversion of 6,000 rural and suburban mail carriers from contractor status to employee status and covering these employees under a separate collective agreement.<sup>7</sup> Other important changes included the termination of severance pay, a wage increase of 12.5% over four years, reduction of the maximum weight limit for lifting, and significant improvements concerning training of health and safety activists and human rights protections. The new collective agreement also contained many significant changes in work rules and the work process associated with parcel and letter carrier delivery. These changes were a direct result of the experience obtained by the parties through their involvement with Appendix AA.

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<sup>6</sup> For details of the 2003 collective agreement covering urban operations go to <[http://www.cupw.ca/pages/document\\_eng.php?Doc\\_ID=478](http://www.cupw.ca/pages/document_eng.php?Doc_ID=478)>

<sup>7</sup> For details of the 2003 collective agreement covering rural operations go to <[http://www.cupw.ca/pages/document\\_eng.php?Doc\\_ID=481](http://www.cupw.ca/pages/document_eng.php?Doc_ID=481)>

#### **4.1 Contracting-In Parcel Delivery with a New Model**

The agreement included the contracting-in of the delivery of expedited parcels and the introduction of a new parcel delivery model in all cities with mail service courier delivery. The union saw this as a major victory, both protecting the current parcel processing and delivery positions and generating hundreds of new jobs in a vital product line.

The delivery of expedited parcels was originally contracted out in 1989, eliminating hundreds of jobs, and leaving Canada Post with an incoherent operation incapable of making use of CPC's large economies of scale. CPC was left to deliver "regular parcels" with service standards of four to eleven days and next day Priority Parcels while expedited parcels with a one or two-day delivery standard were given to contractors for delivery. It was the union's belief that this inefficient operation could not continue given the increasing competition within the industry. The union opted to push for contracting in the parcel delivery recognizing that this would require operational and work rule changes.

In the pilot project in Winnipeg the parties had introduced new means of organizing delivery routes by delivery areas or loops and several new work rules. (see above) The final agreement strongly resembled the conditions set out in the Winnipeg pilot project. It involved a commitment of the corporation to invest \$50 million in the parcel processing and delivery infrastructure and to contract in all the Expedited/Xpresspost pick-ups and delivery work.

In order to balance the employer's desire for greater flexibility and the union's requirement to maximize full-time jobs the parties agreed to create flex part-time Mail Service Courier routes which may be scheduled for a minimum of 4 hours per day, 20 hours a week. The number of flex part-timers will be limited to one per loop or combination of loops with seven or eight full-time routes. On high volume days the flex part-timers are required to work up to eight hours a day to help clear the excess parcels.

The agreement allows the corporation to schedule workdays up to 10 hours within a 40-hour week. The paid meal period was maintained. There is a national joint union-management steering committee to oversee the implementation of the parcel model and local committees



to operate at the local level. The union is guaranteed independent financial resources to book off union representatives as required.

In keeping with the practice of the Winnipeg model mail service couriers will take meal break on their routes. The employee will determine their meal location and three minutes of structured time will be allocated as travel time. As part of the New Parcel Delivery Model, all part-time mail service courier assignments created within the model will be structured for at least 20 hours per week, except for weekend-only assignments.

The agreement prohibits the employer from making unilateral changes to the Mail Service Courier Workload Structuring System that would impact on the workload of employees and provides for an improvement of union observer rights in the case of restructuring of mail service courier routes.

## **4.2 Changes To Letter Carrier Delivery**

The collective agreement included several major changes to the work rules concerning letter carrier delivery. The agreement permits non motorized letter carriers, whose routes are structured so that they return to the facility to have their meal, to choose not to return and to take their meal elsewhere. Both parties saw this as a very significant change. Previously letter carriers had been required to return to the facility. The implementation of this rule had caused conflict at the workplace and between the union and management. The productivity of any letter carrier that chooses not to return to the installation for lunch will not be used for comparison purposes with other letter carriers. These routes continue to be structured including travel time to and from the facility at lunch. Although this change did not impact upon the work content of letter carrier routes it was opposed by many employees because they believed that many letter carriers would not stop for lunch as required by the collective agreement. This might result in greater fatigue and potentially result in increased injuries..

The most significant increase in productivity will result from the agreement to allow Canada Post to structure motorized routes and "buddies" to have their meal at a designated spot on their route as opposed to structuring their routes to include travel time to and from their home depot. The designated meal location must meet hygiene standards and letter carriers are entitled to a daily beverage allowance if required to make a purchase. Time to and from their "on-

route” meal locations, and for parking, will be built into the route. This is a considerable benefit for management as it will reduce lunch travel time for these employees by an average of 10 minutes and correspondingly increase their productive time.

The charts concerning weight and size of householders were simplified. Employees are not required to carry oversize householders unless there is agreement from the appropriate level of the union.

The employer continues to be prohibited from unilaterally making changes in the work measurement manuals. There were improvements in the rules governing paid union observers during the structuring of routes. Proper mail redirection time values in all walks will be implemented prior to the end of the collective agreement. The parties also agreed to jointly develop a new time value for the mail mobile stop and adopted a new interim value.

To eliminate compulsory overtime for letter carriers management will solicit volunteers. Local management will analyze routes that require regular overtime and eliminate the source of the problems. The mileage allowance was increased for employees choosing to take their private vehicles but additional incentives for private vehicles and taking out relays were not part of the agreement.

Several other proposals of the parties were not included in the new collective agreement. Maximum time for continuous delivery was not increased to five hours. The requirement to begin work at the official start time remains. Management’s proposal to convert public transportation routes to either taxi or private vehicle routes was rejected. There was no guarantee employees would have access to carts. Although both parties entered the negotiations with proposals to negotiate “composite” positions combining job classifications there was no agreement that these employees would be full-time or part-time so the issue remains status quo.

#### **4.3 The Influence of the AA Process and the 2003 Negotiations**

The parties could not have achieved a negotiated collective agreement without resolving the issues concerning parcel delivery and the letter carrier work rules. The Appendix AA process was instrumental in enabling the parties to do so without a strike.

This is especially true concerning the issue of the contracting in parcel delivery and the new parcel model of operation. It is impossible to conceive how this would have occurred in the absence of the Winnipeg pilot project. Originally Canada Post Corporation believed that it would not be cost effective to contract-in the parcel delivery unless there was also additional cost savings in the form of the elimination of the paid meal period. This was based on their initial and very faulty structure-to-structure cost analysis. The interim costing exercise conducted by the parties in April and May 2003 enabled Canada Post to reconsider this position. This costing exercise was only possible due to the operational knowledge of the members of the local joint committee. They identified many serious problems with the initial baseline costing that resulted from inadequate records keeping and improper interpretation of data taken from the time and attendance systems.

Prior to the 2003 negotiations the union strongly objected to several items such as the 10-hour maximum day schedule and the taking of the meal on route. However witnessing the actual impact of these changes enabled the union to modify its position.

The conflict between the employer's demands for flexibility and the unions need for the maximization of full-time employment has been a source of many disputes between the parties. This was resolved through the agreement to create flex part-time routes. This solution was based on expertise developed through experience in the Winnipeg pilot project.

The parties experience in the Appendix AA Committee was also instrumental in creating conditions that allowed the successful negotiations of new work rules for letter carrier delivery. In the Appendix AA process the union had become aware that some of the employers proposals did not pose as much of a threat as it had previously believed. This was certainly the case of the employers demand to have the meal on route for motorized carriers. The pilot project process enabled the union to evaluate the actual staffing implications of introducing this work rule change and consult with the membership as to the impact on their working conditions.

The pilot projects also enabled management to gain a fuller perspective of the work content of letter carrier jobs and the relationship between workload and injuries. This may account for CPC's decision to drop several demands to extend delivery time and

increase workload and instead focus on proposals to reduce other costs such as transportation.

Through the conceptualization and implementation of the pilot projects both union and management representatives were completely clear about promoting their own self-interest. This articulation of self-interest enabled the parties to reach the compromises required to obtain the necessary support of both local union and management representatives. The process also encouraged both parties to seek solutions that enable both parties to meet their objectives. Perhaps this is just good collective bargaining practice. And sometimes this is not possible and industrial conflict is necessary to provide an incentive to force a compromise. However in the Canadian post office the history of government-imposed contracts had frequently served to absolve both parties of the responsibility to make the necessary compromises to reach voluntary collective agreements. The experience of this process greatly assisted the parties in all aspects of the negotiations.

Likewise other initiatives of the Appendix AA process, such as the testing of a new City Mail Volume Index, the testing of the A62 letter carrier case, and the development of new software to facilitate the barchart process of determining relief staff addressed longstanding grievances of the union which had been the subject of numerous disputes.

#### **4.4 Continuing the AA Process**

The value that CUPW and Canada Post Corporation now place on joint testing of initiatives prior to their implementation is illustrated by the fact that the 2003 agreement contains a provision for the continuation of the Appendix AA process, in somewhat of an abridged form.

The Appendix AA process will be continued to oversee several important initiatives, which remain incomplete from the negotiations including:

1. A pilot project to test new product specifications and delivery methods for unaddressed householders.
2. Determination of standards for the new A62 letter carrier workstations. This will involve observing and videotaping the work of 150 letter carriers to establish the frequencies of various work related movement to develop proper time

values for the letter carrier work involving the new sortation case.

3. A statistical analysis of factors related to letter carrier injuries.
4. A study of the physiological, physical, and mental effects of letter carriers' workload.

The new provisions governing the Appendix AA process do not include requirements with a fixed number of permanent representatives on the working committee. Both parties will determine the necessary resources depending on the requirements of the initiatives and pilot projects agreed to during the collective agreement. The collective agreement provides for a national committee and CPC will be required to pay for the salaries, expenses, and benefits of the members of any joint work groups established to oversee projects. Both parties shall appoint their own representatives and both parties will be required to bear the expenses of any experts who are not jointly selected. However the union will be provided with \$100,000 to pay for expenses directly connected to activities relating to the process.

The contract provisions permit the parties to amend the collective agreement in order to engage in pilot projects and may make these changes permanent. All decisions must be taken by consensus.

## **5. CONCLUSION**

A process that permits labour and management to test new work methods and new work rules can facilitate the introduction of changes and assist parties in resolving longstanding disputes.

The process must be truly jointly controlled with both parties having equal rights and input into all decisions. The process designed by the Canadian Union of Postal Workers and Canada Post Corporation was successful due to a number of factors:

1. Clear identification of objectives and self-interest of each party.
2. Collective agreement protection for new work rules.
3. Separate and independent communications to employees.
4. Mutual veto power over decisions.
5. Significant and independent resources for both parties at the local and national levels including funding for the union.
6. Direct access to decision makers.

7. Use of independent surveys and focus groups.
8. Joint development and implementation of the evaluation process.
9. Access to all relevant information.
10. Independence of the process from other areas of conflict.

The success of the Appendix AA process was due to the acknowledgement of both union and management that there is a need to improve working conditions with respect to health and safety while enhancing the quality of services and addressing the realities of increased competition and the threats posed by deregulation and privatization. This progress is a significant especially given the poor labor relations<sup>8</sup> that existed for many years. Continuation of this approach promises further progress.

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<sup>8</sup> Bickerton and Clark (2002, 297) use this phrase only recently "Overwhelmingly, the problems of poor labor relations and inadequate service to the public are the result of government inspired policies..."