

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

Re: FSS Work Methods

The Flat Sequencing System (FSS) provides the means to present flats to letter carrier routes in Delivery Point Sequence (DPS) order. Recognizing that a substantial investment has been made in the FSS and in order for the Postal Service to remain efficient and competitive, it is necessary to explore alternative methods of handling DPS flat mail by city letter carriers. Understanding that the parties' respective interests are best served through a cooperative effort, the United States Postal Service (USPS) and National Association of Letter Carriers (NALC) agree to jointly examine methods and procedures related to handling DPS flats.

Effective with the signing of this Memorandum, a Joint Task Force comprised of four members from the NALC and four from the Postal Service will be established to explore alternative work methods necessary for handling mail in an FSS environment. The Task Force will attempt to reach agreement on necessary studies and potential work method changes, as well as implementation and operating procedures. The Task Force will submit a final report outlining findings and recommendations to the NALC President and the Postal Service Vice President, Labor Relations no later than February 18, 2008.

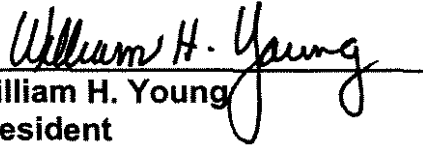
In the event the Task Force is unable to reach agreement on any or all issues involved with handling mail in an FSS environment, the Postal Service may implement FSS work methods by providing the union with written notification. The parties agree that city letter carriers on park and loop or foot deliveries will not be required to carry more than three bundles. If the union believes that any management initiated work method is not fair, reasonable, or equitable the union may, within twenty-one days of notice, initiate a national-level dispute. Such dispute will be scheduled for arbitration on a priority basis; beginning no later than March 25, 2008, with a final award rendered no later than July 15, 2008. The scope of the national-level dispute is limited to whether the disputed work method(s) is fair, reasonable, or equitable.

The parties agree that the above is the sole and exclusive process for establishing methods for handling mail in an FSS environment by city letter carriers and that no other procedural requirements (e.g., Article 34, Article 19)

are necessary or relevant. This agreement is without prejudice or precedent and may only be cited by either party to enforce its terms.



Doug A. Tulino
Vice President
Labor Relations
U. S. Postal Service



William H. Young
President
National Association of
Letter Carriers, AFL-CIO

Date: September 11, 2007