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 IN THE MATTER OF FACT FINDING
 IN A DISPUTE BETWEEN
 CITY OF NORWAY, (MICH.)
 AND
 IBEW LOCAL 219

Michigan State University
 LABOR AND INDUSTRIAL
 RELATIONS LIBRARY

FACT FINDER'S REPORT

Issue

The sole issue in this dispute involves wage rates for bargaining unit employees employed in and by the Electrical Department of the City for the contract year 1970. Ancillary is the question of a specific rate adjustment to the classification, Hydro Operator.

Facts

The City of Norway has for a number of years operated its municipally owned electric power plant to supply citizens and commercial enterprises with electric power. The City maintains its own lines and plant, makes charges based upon a schedule of rates per KWH of electricity consumed, has an electrical department which employs nine (9) people in the bargaining unit, pays wage and other costs out of a departmental account unrelated to general operating for City employees as a whole. In other words,

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Norway, City of

wage and other costs for this utility service are paid for not out of tax revenues but out of receipts for electrical power sales to the citizens of Norway who are also customers of this Department.

The City operates a Hydro Electric system to its fullest capacity at the present time. When needs exceed power production, additional power is purchased from a large utility, Michigan Wisconsin Power Company.

I.B.E.W., Local 219 represents only the Electrical Dept. employees. Another labor organization represents the remainder of the City employees.

The following is the expired 1969 wage rate by job classification schedule in the Electrical Dept. and the number presently in each such classification:

<u>Employees</u>	<u>Classification</u>	<u>Wage Rate</u>
None	Lineman Maintenance	\$3.35 per hr.
1	Lineman - Power and CATV	\$3.25 per hr.
1	Meter Reader	\$2.60 per hr.
1	Chief Hydro Operator	\$3.00 per hr.
3	Hydro Operator	\$2.85 per hr.
1	Ground Man	\$2.85 per hr.
2	Lead Lineman	\$3.50 per hr.

The only issue remaining between the parties is an overall wage increase in the above classifications plus an adjustment in the Hydro Operator rate beyond the general increase. The Union is asking for a 15% general increase and 20¢ per hour

additional for the Hydro Operator rate. The City's best offer is a 5% general wage increase to these (and all other City) employees with no adjustment beyond that for the Hydro Operator.

Union's Position

The Union alleges that the above current wage schedule is significantly below rates paid employees in other utilities with which it believes comparison should be made for a realistic determination of going rates for similar work in the industry and area.

The Union says that the Lineman rate is the benchmark rate with all other classifications bearing a percentage above or below the Lineman rate. Hence, the comparisons it seeks are primarily related to this benchmark rate.

The Union presented numerous wage surveys in the electric utility industry and then pointed to numerous individual comparisons in the U.P. It says that Norway and Iron Mountain which is nine miles away and practically contiguous should make up one wage area. The comparisons presented follow:

Municipal Utilities

Coop.

Private Utilities in general area

Coops, Small (Michigan)

Source: IBEW
Rural Electric
Association's
Survey PP. 28-32

U.P. Power Company (Houghton & Iron River).....	\$4.22	per hr.	Lineman
Escanaba.....	4.22	per hr.	Lineman
Bell Telephone Co. (All U.P., Norway).....	3.80	per hr.	Hydro Op.
Wisconsin Michigan Power Co.....	4.05	per hr.	Lineman
	\$4.23	1/10	per hr.
Sturgis Michigan 8,000 pop.....	4.13	per hr.	Lineman
Kaukana, Wisconsin 10,000 pop.....	4.22	per hr.	Lineman
Oconomowoc, Wisconsin.....	4.55	per hr.	Lineman
Wisconsin Rapids, Wisconsin.....	4.37	per hr.	Lineman
Spooner, Wisconsin.....	4.10	per hr.	Lineman
Dairyland Power Coop. (Wisc.).....	\$814	per mo.	Lineman
	\$776.80	per mo.	Hydro
Wisconsin Electric Power Co.....	\$5.33	per hr.	Lineman
		(current rate)	
Wisconsin Power and Light Co.....	4.36	per hr.	Lineman
		(with 6 1/2% increase added)	
Wisconsin River Power Co. 1970 K expired; was.....	3.68	per hr.	Lineman
		(new rate not known)	
Northern States Power Co. (old contract).....	4.78	per hr.	Lineman
	4.01	per hr.	Hydro Op.
Alger Delta Coop. Electric Association.....	3.25	per hr.	Lineman, current
		(\$3.50 per hr. deferred)	
Cloverland Electric Coop. (Sault Ste. Marie).....	4.05	per hr.	Lineman
Fruitbelt Electric Coop.....	4.08	per hr.	Lineman
Northern Michigan Electric Coop.....	4.04	per hr.	Lineman
O & A Electric Coop.....	4.01	per hr.	Lineman
Oceana Electric Coop.....	4.15	per hr.	Lineman
Presque Isle Electric Coop.....	4.20	per hr.	Lineman
Southeastern Michigan Rural Electric Coop.....	4.40	per hr.	Lineman
Thumb Electric Coop.....	4.05	per hr.	Lineman
		(deferred \$4.42)	
Top O Michigan Rural Electric Coop.....	4.22	per hr.	Lineman
Trl County Electric Coop.....	4.12	per hr.	Lineman
Western Michigan Electric Coop.....	3.51	per hr.	Lineman
		(deferred \$3.81)	
Wolverine Electric Coop.....	4.71		

The Union also submitted a BNA survey of Bargaining for 1970 Settlements as of July 30, 1970. This discloses that, excluding construction, wages were averaging 13.4% increase.

The Union also called attention to and submitted the 1970 BLS City Workers Family Budget for man, wife and two children requirements in Green Bay, Wisconsin, as \$9825 per year to maintain a decent standard of living.

With respect to the City of Norway's ability to pay the amounts demanded, the Union pointed to the fact that the utility had a last year net income of \$32,351,06. The Union submitted the 1968 and 1969 Comparative Statement of Revenues and Expenditures as supporting its claim that the Union's demands for 1970 are well within the ability of the City to pay.

The Union concludes that the wage rates in this Department of the City are so significantly below any reasonable comparison in the industry and the area that there can be no justification for refusing the Union's demands.

City's Position

The City owns its own generator and its hydro system is being used at capacity. It produces 3500 KWH. Most of this is being used and for additional loads Wisconsin Michigan Power Company sells power to the City. As the City grows, this becomes increasingly necessary. Presently, the City buys about 12 1/2% from this source.

When the City could produce all its needed power, the operation was economical. It could generate at a cost of about 1/2¢ per KWH. It must pay about 2.4¢ per KWH for purchased power. Whenever there is extensive maintenance, the cost is high and the revenue low. New turbines are very costly. In the fiscal year 1968-69 appears an item of \$46,646.97 for new turbines. The productivity of employees is affected by the limited capacity. Thus, the hydro operators could produce 10 times the volume actually produced if it were not for this capacity limitation. The only way production could be increased would be to go to diesel powered generation to supplement the hydro generation and the cost of this the City considers prohibitive.

Because of the increased reliance on the high cost supplemental service from the private utility and other cost increases including wage rate increases, certain rates for services have had to be increased and discounts discontinued. Thus, CATV is being increased 25¢ per mo. (from 1.50 to 1.75 per mo.); Electric Hot Water heating is being increased 20% per month; other rates are to be increased by 10%.

The City says that retention of the City owned utility is predicated upon producing a service at a lesser cost to consumers than would be available from private sources. The City claims that consumers will be unwilling to pay further increased rates and will certainly refuse to pay higher taxes to support the utility. They will demand instead that the utility be sold.

In 1968-69, the overall City operation deficit was \$24,000. The City estimates that for 1969-70 that deficit will have been increased to in excess of \$30,000.

The City says that in addition to the 5% general increase offered all employees it has granted a cost of living allowance and increased sick leave days. It claims that in total the wage and fringe benefit increases offered all employees costs out at an increase of \$12,741 over the 1969 agreements with the Unions representing its employees.

The City insists that comparisons with large utilities and Bell-Telephone Company are improper because the City has a much smaller base for revenue so as to make such comparison meaningless. The City does not disagree, however, that job requirements of the utility employees are essentially the same.

The City conducted a letter survey of its own in March, 1970, of wage rates paid by other municipally owned electric utilities. It presented lineman rates as reported in response to this inquiry. These rates and the cities reporting follow:

Petosky.....	\$3.00	per hr.	Lineman
Bessemer.....	2.84	per hr.	Lineman
Hillsdale.....	3.63	per hr.	Lineman
Charlevoix.....	2.77	per hr.	Lineman
South Haven.....	3.45-3.73	per hr.	Lineman
Saint Louis.....	2.53	per hr.	Lineman
Zeeland.....	3.50	per hr.	Lineman

Other cities reporting did not indicate a rate for Journeyman Lineman. Presumably, they had none in this classification. There

is no indication as to whether rates shown are negotiated. The IBEW Surveys do not show these cities as having negotiated rates.

At any rate, the City believes these to be more realistic comparisons than those presented by the Union, and they reveal that Norway's rates are for the most part in line or higher particularly if the offered 5% increase is taken into account.

Further Findings

1. Cost of Union demand for a 15% general increase for a 2080 hour year over present (1969) rates including 20¢ per hour adjustment in Hydro Operator rate is as follows:

No.	Classification	1969 Rate	1969 Cost (2080 hrs.)	1970 Cost with 15% Added
2	Lead Lineman	\$3.50 per hr.	\$14,560 (6,968)	\$14560 + 2184 = \$16,744 (6968 + 1045 = (8,013)
0	Lineman Maintenance	3.25 per hr.	-	-
1	Lineman- Power & CATV	3.25 per hr.	6,560	6560 + 934 = 7,544
1	Meter Reader	2.60 per hr.	5,408	5408 + 811 = 6,219
1	Chief Hydro Operator	3.00 per hr.	6,240	6240 + 936 = 7,176
3	Hydro Op.	2.85 per hr.	17,784	17784 + 1668 = 19,452
1	Ground Man	2.85 per hr.	5,928 <u>\$41,980</u>	5928 + 899 = <u>6,817</u> <u>\$53,952</u>

Plus added cost of additional 20¢ increase to Hydro Operator

$$(2080 \times .20) = 416.00 \times 3 = \$1,248 + 53,952 = 55200$$

Net added cost (55,200 - 41980 = \$13,220 for 9 employees

2. Cost of 5% general increase for 2080 hr. year offered same employees by City

$$41,980 + 2099 = 44,079$$

3. Net cost difference between Union wage demand and City offer

Union Demand		City Offer	
55200	-	44079	= \$11,121

4. The City's books for fiscal year ended June 30, 1970 are presently in process of being audited by the CPA firm of Fleury and Singler, Iron Mountain, Michigan. Hence, the City does not have and could not present to the Fact Finder the audited figures on income and expenditure for either the City or Utility accounts for the year ended June 30, 1970.

However, the revenues of the Utility for the year ended June 30, 1969, showed operating revenues totaling \$230,000. For the first nine months of the 1969-70 fiscal year operating revenues (not audited) were estimated by the City at \$191,952. It would appear from this that operating revenues are up in the just ended fiscal year over the preceding year, at least for the first nine months of such year, by approximately \$19,400.

{ 3/4 of 230,000 =	172,500	1969 fiscal yr. ended June 30
	191,952	1970 first 3/4 est.

If this estimate is correct and holds for the remaining quarter of the 1970 fiscal year ended June 30, operating revenues should be \$255,936, or nearly \$26,000 over the preceding year.

5. It should be noted that the City paid in full an indebtedness for new turbines in the 1969-70 year in the amount of \$46,646.97. This is a capital expenditure which is not regularly recurring annually.

Recommendations

There are several matters to be kept in mind in making recommendations in this dispute:

1. The wage rate offer of a 5% increase to all City employees was made at a time when the City was faced with two simultaneous sets of negotiations--one for the electric utility employees, which came first, and the other with another union for all other City employees. The Fact Finder is aware that this situation created problems for the City. It would be reluctant to offer the electric utility employees more, even if justified, for fear this might set a precedent for the other group, or worse yet, a take-off point. This is commonly known as "leap-frogging" in collective bargaining. The City agreed that this was a problem.
2. The wages for employees in the electric utility are paid out of revenues to consumers not out of revenues from taxes which are reflected in general fund operation. Hence, the question is whether or not the revenue from electric utility net income after expenditures will support a higher wage rate increase to the electric utility employees than the 5% offered. The Fact Finder believes that it will.
3. While it would be unrealistic to compare huge utility wage rates in and out of the area, it would be equally

unfair to compare rates of small unorganized communities with those of Norway. The Union appears to recognize this since its 15¢ demand would yield only 50¢ per hour more to the lineman for a total of \$3.85 per hour.

4. But if wage rates for journeymen electric utility linemen in Norway are significantly lower than going rates in the industry, it would be improper to expect them to bear the full burden of such lower rates even if the municipal utility were hard pressed to relieve that burden.

The Fact Finder believes that the \$3.35 current rate for lineman is well below the going rate. He also believes that the 5% increase would not bring the rate within reasonable shooting distance of the going rate which appears to be at or above \$4.00 per hour.

5. While the 15% increase demanded by the Union appears fair in that it would not yield more than \$3.85 per hour to the lineman, such an increase would be a heavy cost burden for this small municipal electric utility to bear all at once. A 10% increase would bring the lineman rate to \$3.69 per hour while the 5% increase offered by the City would bring the rate to only \$3.52 per hour, well below the mid-range between the present rate and the going rate of \$4.00 per hour or better.
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It is the Fact Finder's recommendation that the City's offer be raised to a 10% increase for all electric utility classifications.

The Fact Finder does not believe a case for an additional 20¢ per hour increase to the Hydro Operator has been made. He finds that this classification is consistently and significantly lower than the Lineman rate. This is so even in the large utilities. (See the comparisons invited by the Union where both Lineman and Hydro Operator rates are shown.) Hence, the Fact Finder makes no recommendation for a special adjustment in this rate at this time.

The Fact Finder believes that while a cold comparison of going rates would justify the 15% general increase demanded by the Union, he likewise believes that the 10% increase recommended herein is more realistic in view of the Norway municipal electric utility's ability to pay at this time. Moreover, it is closer to the recently reported average of negotiated general pay increases reported for the country as a whole excluding construction.

Finally, this recommendation is made in the understanding that the parties have agreed that rate increases are effective January 1, 1970, the date following the expiration of the 1969 agreement. It is also the Fact Finder's understanding that the parties have been negotiating for a one-year agreement to expire December 31, 1970.

August 27, 1970
Date

James T. Dunne
James T. Dunne, Fact Finder