

## CHAIRMAN'S LETTER

November 16, 2015

In 1926, labor and management on the nation's railways came together to ask Congress and the President to reform labor laws that applied to their industry. The resulting Railway Labor Act (RLA), as amended, included provisions to protect the public interest by preventing disruptions of interstate commerce from a capricious strike or lockout. The Act was eventually amended to include the airline industry and create the National Mediation Board (NMB), which administers the Act generally, and has done so for over 80 years.

These two industries are vital infrastructure for the most important economy in the world. As of 2012, civil aviation contributed \$1.5 trillion to our economy, equating to 5.4% of the gross domestic product -- not to mention, 11.8 million jobs.<sup>1</sup> In 2011, with the nation's largest freight railroads and their employees negotiating new collective bargaining agreements, it was estimated that a work stoppage would cost the country \$2 billion a day.<sup>2</sup> Today, those numbers are even bigger, yet the NMB continues to assist the industries in keeping America moving. In FY 2015, the costs to the economy of a single day railroad or major airline work stoppage would pale in comparison to the NMB's entire appropriation of just over \$13 million. Similarly, a public transit disruption would disrupt some of our largest cities and bring commerce to a halt.

In our Office of Mediation Services, statutory mediation cases have become substantially complicated by expected changes to health insurance plans from the Affordable Care Act (ACA). Traditionally, the airlines and railroads have provided very comprehensive healthcare, but plans are expected to be scaled back to avoid costs and the potential for the excise tax that becomes active in 2018. Despite that new challenge, the agency continued its longstanding success by resolving bargaining disputes at a 99% success rate. During FY 2015, two Presidential Emergency Boards (PEBs) were established, one for Southeastern Pennsylvania Transportation Authority (SEPTA) and one for New Jersey Transit Rail (NJT). SEPTA and their employees were ultimately able to come to an agreement and avoid a disruptive work stoppage. The NJT PEB saw a history making accomplishment as an all-female PEB was established, a significant milestone in an industry predominately male.

The Office of Alternative Dispute Resolution Services (ADR) has been used consistently in training the parties to better work with each other and to improve the effectiveness of the agency. Through facilitation and training, the agency is able to reduce the number of issues the parties have when they progress to statutory mediation. Further, we have been able to reduce the case load of our Arbitration Department through the use of grievance mediation.

The Office of Legal Affairs (OLA) administers the statutory mandate of ensuring employee freedom of association and the right to choose a representative without interference from a carrier or union. This year we have seen a number of cases arising from the merging of airlines, jurisdictional deference and questions from the National Labor Relations Board, and some novel issues of first impression all the while still operating at high level of quality and efficiency in meeting our strategic goals.

For FY 2015, the Office of Arbitration Services worked on information and communication technology improvements to allow cases to be docketed and closed more quickly. In the past, also, arbitrators were paid per day of work, but for this fiscal year we moved our pay-per-case pilot into full effect. This change will allow the NMB to have more cases heard per month, but also meet fiscal accounting responsibilities more effectively as well. The Office also produced two free online video training programs on arbitration processes that are on the website.

Our Office of Administration (OA) provides the NMB with budgeting and managerial support. Among other efficiency improvements, OA obtained new environmentally friendly copiers, on-boarded three new mediators, reviewed and streamlined agency contracts and service agreements and improved financial reporting. Additionally, OA is overseeing our office lease and a possible relocation in 2017. For the first time in recent history, the Independent Auditor's report found no deficiencies in the NMB's internal control over financial reporting. This significant conclusion is attributable to the agency's commitment to improve financial management and accountability in support of our agency's mission.

Most importantly, however, all NMB staff working together ensured that the agency again received an unqualified opinion from our auditors while meeting all our performance goals as outlined more fully in the rest of this report.



**Nicholas Geale**

Chairman

<sup>1</sup> The Economic Impact of Civil Aviation on the U.S. Economy (Fed. Aviation Admin June, 2014).

<sup>2</sup> NCCC Statement on Presidential Emergency Board Recommendations, <http://www.raillaborfacts.org/news/nccc-statement-on-presidential-emergency-board-recommendations> (November 5, 2011).