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TRANSPORTATION FOCUS

This Week's Top Transportation Stories

FedEx may have Won Labor Battle; Parcel Rates to Move Up Despite Recession; YRC Worldwide Still Looking for Financial Salvation; Obama Promises more Logistics Infrastructure Spend

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Below is a summary of the top stories in transportation over the past week.

Has FedEx Won Battle to Keep Unions Out?

Has FedEx triumphed in its long battle to stop rule changes that could make it easier for FedEx workers to unionize?

FedEx rival UPS began more than 100 years ago as a trucking company and therefore falls under the National Labor Relations Act, which allows local groups of workers to form unions. FedEx, founded in 1971, was classified for labor purposes under the 1926 National Railway Act because of its focus on air freight. The railway act, which also covers airlines, aims to minimize the impact of local strikes on national infrastructure and makes unionizing more difficult.

The net result is that UPS is highly unionized, while FedEx is not, even though the overall networks of both transportation providers look quite similar. More than half of the 415,000-member UPS workforce is unionized, primarily with the Teamsters. FedEx has 280,000 workers, and only 5,000 (all airplane pilots) are unionized.

Keeping the Teamsters out means that FedEx has lower overhead than UPS and can brag to customers that it hasn't had a strike in 38 years.

Earlier in the year, a provision to change FedEx's legal status was slipped into a largely unrelated bill reauthorizing the Federal Aviation Administration (i.e., the Express Carrier Employee Fairness Amendment in the FAA Reauthorization Act). But that may in one sense be fair play, because the 1996 provision granting FedEx the railroad-like status was also put in an FAA reauthorization bill.

That bill was passed by the US House in May. Since then, the lobbying and PR battle has been intense, sometimes above ground, other times more quietly in the offices of various Senators.

That includes a stand-alone web site (www.brownbailout.com) that cleverly used the ubiquitous UPS "whiteboard" series of ads to make its case. UPS has not been pleased with FedEx's positioning of the legal change as a "bailout" for UPS, and correctly argues that the change would not result in any Federal funds going to the company.

It appears FedEx might have won this battle, as the Senate version of the FAA reauthorization bill is stalled in the Senate Finance Committee, where it's likely to remain at least until after Christmas. However, the measure doesn't contain the FedEx labor provision, indicating FedEx's lobbying efforts have been largely successful. If the legislation gets out of committee and is passed by the full chamber it is possible that the provision could be added again as part of the reconciliation process with the House bill, but that is not likely.

If FedEx dodges the bullet in this go round, you can expect attempts to change FedEx's status to emerge again in coming years, especially if Democrats maintain Congressional control.

Parcel Carriers Remain in Harmony on Rate Increase Though

While battling in Congress over labor status, UPS and Fed are in perfect sync when it comes to rate changes for 2010.

This week, FedEx announced it will raise shipping rates for ground and home-delivery by 4.9%, matching UPS' announced increases in its main ground and air rates.

The increases come after FedEx Express's 5.9% increases on U.S. domestic and U.S. export rates, though those increases were partially offset by a 2% drop in fuel surcharges in the face of lower oil prices. FedEx said it will adjust other segments' fuel surcharges as well.

While the increases individual shippers will pay will vary based on negotiations with the carriers, it is interesting that the published rates are climbing 5% when most other transportation charges have dropped dramatically and parcel volumes are down substantially overall.

YRC Worldwide Fate Still in the Balance

LTL carrier YRC Worldwide extended the deadline for a financial ploy that may shore up its finances and avoid possible bankruptcy.

Under a pressing level of debt as a result of numerous acquisitions and a terrible freight market, YRC has been in dubious financial condition for months, with some predicting it will ultimately need to file some form of bankruptcy. Last month, the company announced a plan where various debt and bond holders would swap their debt for equity in the company – the thought being the bond holders would fare better in this deal than they would in a bankruptcy filing. YRC has already given large stakes in its equity to labor unions for agreeing to a series of painful wage concessions.

The deadline for debt holders to agree to the equity swap was last night, but by then YRC had received only 72% acceptance. 95% was required for the plan to move forward. As a result, the company has said it will extend the offer for an indefinite time period.

Chief Executive Bill Zollars in October called the swap the final hurdle in the company's effort to reconfigure its financial structure and shore up its balance sheet. Zollars had described the debt-for-stock swap as "the final step" for YRC, but he stopped short of calling it essential to avoid bankruptcy.

With all its struggles and a stock price that had fallen below $1.00 per share, YRC was also dropped last week in the companies comprising the Dow Jones transportation index.

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President Obama Says More Logistics Infrastructure Spend Planned

As part of a new set of initiatives designed to spur job growth in a slowly recovering economy, President Obama this week pledged to expand spending on US logistics infrastructure.

While details are still sketchy, the president said that additional and accelerated infrastructure spending would be a key part of a revamped approach to job creation; White House officials later put the number as something like an additional $50 billion, though not all of that would likely go to roads, bridges and other transportation-related projects. "Infrastructure" generically also refers to water projects, school buildings and even internet and wireless communications.

Last week, House Transportation and Infrastructure Committee Chairman James Oberstar said that $69 billion would serve as a nice "down payment" for upgrading the nation's transportation system.

Just where and how the money should be spent on transportation infrastructure is still a question. (See Logistics Infrastructure: How Much, at What Cost?)