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The Big Brown Union Bailout

If you can't beat 'em, have Congress hobble 'em. That's the motto of some in corporate America, and Exhibit A might be United Parcel Service's campaign to get Washington to impose its labor woes on rival Federal Express. This would be one more union bailout at the expense of business competition and economic efficiency.

House Transportation Chairman James Oberstar (D., Big Labor) last year slipped 230 words into a spending bill that would make it easier for the Teamsters to unionize FedEx. This ambush was included at the urging of UPS, which has been saddled with the Teamsters for decades and wants FedEx to feel its pain.

Since FedEx began its Express letter and package service in 1971, its overnight delivery has been regulated under the Railway Labor Act. Congress created that statute to discourage labor strikes and "avoid any interruption to commerce." It viewed airlines and express-shipping companies as bedrocks of commerce and deliberately put them under the law. As FedEx delivers 85% of its parcels by air, many of them time-sensitive packages that enable a modern economy, it rightly belongs under the railway act.

This classification riles the Teamsters because the railway act requires unions to organize at a national, rather than local, level. FedEx employees have rejected every Teamster organization attempt. Of its 125,000 employees, about 4,500 belong to the Air Line Pilots Association. The rest are nonunion.

Meanwhile, UPS delivers 85% of its packages by trucks and is regulated under the more union-friendly National Labor Relations Act. Its operations are manned by 240,000 Teamsters, whose walkouts and strikes play havoc

UPS and the Teamsters want to hobble Federal Express.

with its business model. In 1997 the Teamsters waged a 15-day strike at UPS estimated to have cost the economy \$15 billion. UPS paid \$6 billion in 2007 to gain some control over ballooning Teamster pensions, and its liabilities caused a downgrade last year in its long-term debt rating.

UPS has long tried to reclassify under the railway act. "Provisions of the RLA, including mandatory mediation of disputes, will provide our customers with a sense of stability, which our competitors are able to offer," said the company in 1995. Yet every time Congress or the National Labor Relations Board take up the issue, the Teamsters convince their Washington patrons to tank it.

UPS has now moved on to Plan B, which is to stick FedEx with the same union payroll. The House bill would move all of FedEx's employees, save pilots and aircraft maintenance technicians, under the National Labor Relations Act, allowing the Teamsters to organize locally. The Teamsters are also pushing Senate Democrats to adopt Mr. Oberstar's House provision in their funding for the Federal Aviation Administration.

This is political favoritism at its worst, benefiting only UPS and the Teamsters while raising transportation costs across the economy. FedEx has been able to break a decades-long UPS monopoly in parcel delivery, reducing costs for millions of customers. The competition is healthy for everyone, and the best way for UPS to regain its edge is to get out from under its current rules or persuade the Teamsters that they'll lose their jobs if they won't change. This Teamsters bailout is worth a GOP filibuster if it ever makes it to the Senate floor.