

## ***Dear Teamsters: You have to be at the Table to Negotiate***

***By Satish Jindel***

As of June 30, there was a sigh of relief for shippers when both Teamsters and UPS issued a communique that the deal may be announced as of July 5. And then, Teamsters walked away from the table.

No matter how **hard** one wants to negotiate; one has to be at the table to do so. Since the July 5 breakdown in talks, some large shippers have started to reduce their exposure to UPS. I know that from my personal contacts and further evidenced from comments by FedEx.

During FedEx's fourth quarter earnings call on June 20, Chief Customer Officer Brie Carere said the company hadn't seen any material benefit from UPS' labor negotiations in the last quarter but added "What I can tell you is that this has opened a lot of doors. We're having a lot of great conversations with legacy UPS customers and we feel really good about the sales pipeline because of the strong value proposition we have versus our primary competitor."

And, based on millions of parcels shipped by ShipMatrix customers, FedEx's on-time performance (OTP) has improved consistently since last December. As of last month, FedEx Express OTP was at par with UPS Express service and FedEx Ground OTP was within one percent behind UPS Ground, closing the gap which will enable more shippers to keep that diverted volume with FedEx.

If the Teamsters leadership is expecting to create public, congressional or market pressure on UPS to avoid a strike if the economics of Teamsters demands do not work, it may not happen. UPS has made it clear that in case of a Teamsters work stoppage, it has contingency plans, if needed, to continue operating. With increased technology for sorting packages and Orion for pickup and delivery routing, it will have capacity to handle about 4 million parcels out of current 18.6 million parcels per day.

Either by coincidence or by plan, as of July 9, 2023 the Postal Service introduced Ground Advantage service with two-to-five-day transit time, which mirrors the Ground services of UPS and FedEx.

With over 8 million of UPS average daily volume being under 5 pounds according to ShipMatrix, if the large shippers divert those light weight parcels to the Postal Service that it can deliver to the mailboxes, and heavier parcels to FedEx, the two main competitors have capacity to handle additional 10 million and 4 million parcels per day respectively.

In addition, unlike 1997, there are many more alternatives to the two national carriers. The list includes Amazon with national coverage, expanded and new regional carriers such as OnTrac, CDL and Better Trucks, and new consolidators like Pitney Bowes and OSM Worldwide. They are eager to handle more parcels with this labor unrest at UPS.

So, if a strike were to happen and depending on the duration of it, I expect about 70 percent of parcels will return to UPS. However, the 30 percent that may be lost amounts to over 4 million parcels per day. With about 80,000 package car drivers at UPS, a Teamsters driver delivers about 230 parcels per day. That will result in loss of jobs for over 19,000 drivers and a few thousand package handlers.

With a high likelihood of another 22,000 Teamsters drivers and dock workers losing jobs at Yellow Corporation and its sister LTL carriers in next few weeks, it will become impractical for the unionized trucking companies to absorb 45,000 Teamsters associated workers.

Just as Teamsters reached a labor contract three weeks in advance with Arkansas Best Freightways, it needs to return to the negotiating table and settle the differences with UPS. Such cooperation may help it in getting UPS to absorb the Teamsters members who will have lost jobs at Yellow.

Time is of the essence to get back to the table and to stay at it. Every day delay in reaching a handshake agreement and every 1 million parcels lost to the competitors will mean 4,300 driver and a few hundred package handler jobs being lost.

In addition, any membership dues used during a potential strike to pay the striking workers will mean those funds will not be available for Teamsters' stated objective to organize Amazon workers.

Being very tough in negotiations is analogous to stretching a rubber band. No one knows the full limit before it snaps and then one has to start all over again with new set of conditions.

**(733 words)**

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