

Briefing Materials on
United Parcel Service Pilot Furlough

House Transportation Committee
Alaska State Legislature
House of Representatives
Representative Peggy Wilson - Chair

Committee Meeting
Tuesday, August 31, 2010
Anchorage LIO
9:00 a.m. – 11:00 a.m.

The information contained within was compiled by the Independent Pilots Association;
the collective bargaining unit for the 2,800 pilots who fly the 214 large jet UPS fleet.

UPS Pilot Furlough: Background

First UPS Pilot Furlough

In February, UPS announced its intention to furlough at least 300 pilots – approximately 11 percent of its 2,800 unionized pilots – by March 31, 2011. The layoffs began in May, since then 109 pilots have been furloughed.

Disproportionate Impact on the UPS Anchorage Domicile

- Of these 300 pilots: 262 are from the Anchorage domicile (2nd largest UPS pilot base); of the 262 Anchorage pilots; 84 live in Alaska.
- Since the fall of 2006, when UPS opened its Anchorage domicile, 155 UPS pilots and their families have relocated to Alaska; 30 lived in Alaska prior.

Economic Impact of UPS Furlough on Alaska

- Annual lost payroll from the furlough of 84 resident pilots is \$12.6M. Furloughed resident pilots have begun drawing state unemployment and tapping into other social services.
- Because unemployment benefits are generally paid by the state where the hours were worked, the 178 furloughed pilots who are assigned to the Anchorage domicile, but live elsewhere, have also begun drawing Alaska unemployment benefits.

The Furlough Never had to Happen – UPS Killed Pilot Funded Program to Save Jobs

What makes this furlough truly unfortunate is that the UPS pilots had since April 2009, preserved these jobs through voluntary cost cutting efforts. The pilots took it upon themselves to give-up pay and benefits to produce \$117 million in guaranteed savings for UPS, enough to keep these 300 pilots employed well into 2011.

Under the Voluntary Jobs Protection Program, UPS pilots were able to generate cost savings for UPS by: taking reductions in flight pay guarantees; taking unpaid leaves of absence; participating in job sharing; taking military leave; contributing unused sick bank time; and taking early retirement.

This all came to a crashing halt on January 11 when UPS pulled a bait and switch. UPS told the pilots they now needed \$244 million in savings through 2015, and that its preference was for “compulsory savings” – i.e., furloughs. While the pilots were taken back by UPS almost doubling its original request and tacking on an additional four years, the pilots didn’t flinch. They were more than willing to step-up, extend and expand the Voluntary Jobs Protection Program to cover UPS’s demands, and keep the 300 employed.

On February 8, within days of UPS CEO Scott Davis declaring “looks like this recession is finally over,” UPS told the pilots that it was unwilling to continue with voluntary savings programs, or consider others. UPS issued a press release, and began the furlough process.

QUESTIONS for UPS

Suggested Questions for UPS:

Question 1:

On July 29, the *Anchorage Daily News* published the following headline: *Anchorage's economic soft spots are starting to recover – Cargo shipments up, could yield more jobs.* In the story, written by Elizabeth Bluemink, it went on to say: *One significant source of high-paying jobs in Anchorage – the international air cargo industry – suffered a massive downturn last year. "It was down last fiscal year probably over 20 percent," said John Parrott, manager of the Anchorage airport. But by April of this year, commercial freight tonnage at the airport had increased to 2008 levels, and by May, to 2007 levels. Parrott said the air cargo shipments have recovered nearly to the peak levels seen in 2006 and 2007.*

- Why did UPS began furloughing pilots just after commercial freight tonnage began increasing at the Ted Stevens Anchorage International Airport?
- Why is it that UPS has not ended the furlough and brought these pilots back now that cargo shipments have recovered to near peak levels?

Question 2:

UPS departures from the Ted Stevens Anchorage International Airport have increased since the furlough. UPS had 87 departures out of Anchorage for the week of May 16 thru 22 – the week before the furlough. UPS had 99 Anchorage departures for the week of July 18 thru 24.

Can you explain to us why UPS is furloughing Alaskan pilots at the same time it's increasing its Anchorage flying?

Question 3:

In his June 21, letter to U.S. Senator Lisa Murkowski, UPS CEO Scot Davis wrote: *The current pilot furlough, as unfortunate as it is for all of us, is a short-term situation. We intend to bring these pilots back into service when our packages and freight volume permit the re-growth of our air crews nationwide.* Yet on July 22, UPS announced for the second quarter of 2010, *a 71% jump over the adjusted earnings of the prior-year period. Global revenue increased 13%, generating a 57% increase in operating profit to \$1.4 billion.*

If UPS's second quarter operating profit to \$1.4 billion was not enough to end the furlough and rehire these pilots, then how much recovery does UPS need to see before that happens?

Question 4:

On July 7, President Obama appointed UPS Chairman and CEO Scott Davis to the President's Export Council. Where Mr. Davis told NPR, *For every 22 packages that crosses a border, it creates another UPS job.* On July 22, UPS reported, *Export volume increased 15%, outpacing the market due to strong growth in all regions with Asia leading the way, up more than 40%.*

With UPS exports outpacing the market due to strong growth in all regions, where are all of these new UPS jobs being created?

Question 5:

On February 3, UPS CEO Scott Davis was quoted in the *Wall Street Journal*, saying, *looks like this recession is finally over*. Less than a week later, UPS announced the furlough and began the layoff process.

How does UPS reconcile Mr. Davis' statement with its action?

Question 6:

Under the Voluntary Jobs Protection Program – which UPS jointly agreed to – the pilots took it upon themselves to give-up pay and benefits to produce \$117 million in guaranteed savings for UPS, enough to keep these 300 pilots employed well into 2011.

- Why did UPS stop this program and begin furloughing pilots?
- Before UPS began the furlough did it take into consideration the economic impact on Alaska?

UPS Pilot Furlough: Fact Sheet

Defining a Pilot Furlough (Layoff) at UPS:

When a UPS pilot is furloughed, that pilot is released from employment **without** severance, or benefits (including relocation). The only payout the pilot receives is any unused sick, or vacation time that he, or she, has earned. The pilot also retains recall rights for seven (7) years. Meaning, should UPS resume hiring pilots, the furloughed pilot will be offered reemployment before UPS considers hiring outside pilots.

Published UPS 2010 Pilot Furlough Dates:

54 furloughed on May 23
22 furloughed on June 20
16 furloughed on July 18
17 furloughed on August 15
26 slated for furlough on September 12
34 slated for furlough on November 7

While UPS has stated that it will furlough at least 300 pilots by March 31, 2011; only those listed above have received notification, and termination dates.

UPS Pilots Cover Health Insurance for Furloughed Pilots

Just before the first furlough in May, the UPS pilots voted to cover the \$1,500 monthly COBRA health care payments for any furloughed pilot and their family. On an annualized basis this could cost the pilot group \$5.4 million per year.

Anchorage Residents are Unhappy with the UPS Pilot Furlough

A survey of 360 Anchorage residents, conducted June 1-3, revealed hard feelings towards UPS because of the pilot furlough.

- 50% of the respondents said what made them think worse of UPS is the fact that it recruited and relocated 155 pilots and their families to Alaska. The majority of these pilots are now slated to lose their job as a result of the layoff.
- 49% of the respondents think worse of UPS due to the \$4.7 million in yearly unemployment payments that Alaska will have to make to furloughed pilots.
- 46% of those surveyed think worst of UPS because of the \$12.6 million in lost wages from furloughed Alaska resident pilots.

This survey has a Margin of Error = + 4.9% at the 95 percent confidence interval.

UPS Anchorage Domicile

The Anchorage domicile is UPS's second largest pilot base. It is made up of: 148, B-747 Captains; 189, B-747 First Officers; 76, MD-11 Captains; and 145, MD-11 First Officers.

- UPS's Anchorage flying is augmented by UPS pilots (who are not in the Anchorage domicile) flying B-767 into/out of Anchorage from the lower 48.
- UPS currently has just under 200 flights into/out of Anchorage each week.