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Representing Ohio's Third Congressional District
Testimony before the House Judiciary Committee
Hearing on Competition in the Air Shipping Industry
September 9, 2008

Thank you Chairman Conyers, Ranking Member Smith and the other members of the Judiciary Committee for holding this important hearing today on the proposed DHL/UPS transaction that would shift DHL's air shipping from ABX and AStar to an exclusive contract with UPS.

I also want to thank my Ohio colleagues for their work on this important issue. Our delegation has truly worked together on a bipartisan basis to achieve the best possible outcome for Ohio, its workers and their families.

Mr. Chairman, from what we currently know of this proposal, DHL intends on ending their inter-US air shipping contracts with ABX and AStar, and contract exclusively with UPS. The result of this transaction would be the closure of the Wilmington Airpark, owned by DHL, as DHL's operations would presumably consolidate to a UPS facility. Additionally, as DHL is the largest customer of ABX and AStar, it is reported that this transaction will likely result in the drastic downsizing, if not full closure of these two domestic carriers. The total direct impact of the current proposed transaction will amount to over 8000 jobs in Ohio, most of which are in Clinton and Highland Counties.

The losses go beyond the direct impact of jobs. From schools, to churches, to non-profits, to small businesses, I would venture to say that there will not be a single entity in Wilmington that will not be detrimentally impacted by DHL's abandonment.

Mr. Chairman, unfortunately, since the announcement of the transaction, very few details have been released. Our community and its workers deserve answers. My community wants assurances that this transaction complies with federal law. That is what we hope to achieve here today.

Mr. Chairman, unfortunately, this is not the first time in recent history when UPS has negatively impacted my community of southwest Ohio. The transaction between UPS and DHL, which this committee will examine today, should be viewed in the context of UPS's recent history of consolidations in southern Ohio.

Prior to 2001, Emery Worldwide had been operating a successful air shipping business out of Dayton, Ohio. Emery was succeeded by Menlo Worldwide Forwarding, a global shipping company. Menlo operated their business out of the Dayton International Airport with gross revenues reported at \$1.9 Billion in 2003. In 2004, UPS acquired Menlo and consolidated their operations to Louisville, Kentucky. This eliminated over 1500 Dayton-based jobs.

Similarly, until 2003, Airborne Express had been a leading domestic shipping company, operating out of Wilmington, Ohio. It was reported that at that time, Airborne maintained 19% of the overnight shipping market in the US. DHL operated a facility at the Cincinnati Airport. DHL acquired Airborne and subsequently consolidated their Cincinnati operations into the Wilmington, Ohio facility.

Mr. Chairman, I and the leaders of the Wilmington community were assured that the outcome would be favorable for the community and that no jobs would be lost. As a result, our federal, state and local leaders rallied to make DHL a success. DHL owns a state-of-the-art airpark and sorting facility in Wilmington. The State of Ohio, as well as local city and county governments, pledged nearly \$450 Million dollars in investments toward ensuring DHL's success.

Now, UPS will become the benefactor of DHL's airlift operations; once again, consolidating the air cargo market, causing the demise of two additional domestic shipping companies (ABX and AStar), and causing the loss of over 8000 Ohio jobs.

If this transaction is allowed to proceed, the overall effect will be that UPS will have successfully consolidated over 10 thousand jobs from Ohio, and caused the closure of four domestic air cargo companies (Emery/Airborne/ABX/AStar).

This consolidation of the market will surely have a detrimental impact on American consumers. In fact, this transaction has the potential to affect international shipping, further consolidating markets, and consumer choice. The Atlanta Journal Constitution reported on August 22nd that UPS is rumored to be acquiring TNT, a European express shipping company. Reports indicate that this acquisition will add 15% market share to UPS's European express shipping business and will make them the number one express shipper in Europe.

These consolidations are just the beginning. In a meeting with DHL officials, I asked if they believed that the DHL/UPS strategic relationship would expand to include their European and Asian markets, and they indicated that it could.

Further, UPS and DHL report that they will continue to compete against each other. However, they intend to fully integrate their computer systems, customer lists, and transportation infrastructures. Dealing with DHL will really be dealing with UPS. They will cease to operate as separate companies. This transaction should be viewed as if a merger between them was to occur.

If these transactions go forward, the US market will contract from what has been five major players – FedEx, UPS, DHL, Airborne, and Emery – to two players. FedEx and a combined DHL/UPS will be left. In Europe, the three major carriers will in effect become one, with a possible UPS/TNT acquisition and a strategic alliance between UPS and DHL.

Today the committee has the opportunity to shed much needed light on this proposal and to get answers to the questions which Wilmington and Ohioans are seeking.

Mr. Chairman, my community has brought forward a list of questions that I have provided to the Committee's membership. These are questions that employees, their families and friends have submitted to my office, and I encourage the Committee's membership to consider these inquiries when they have the opportunity to question today's panels.

Mr. Chairman, I'm sure you will hear today from UPS and DHL, and they will tell you that this transaction does not raise anti-trust issues. But when you consider the context of this transaction – that the proposed UPS/DHL transaction is the next phase in a stepped transaction which will result in the loss of four domestic carriers, it is obvious that American consumers will lose meaningful choice when they ship a package.

Mr. Chairman, I would like to close by reiterating what I said in an Op-Ed for the Cincinnati Enquirer. I would like to submit that Op-Ed for the record. In that piece, I said: "...all of this should be unnecessary. If DHL lived up to its promises to Ohio and to the town of Wilmington, we could all be focusing on how to make DHL more successful. Wilmington's past support for DHL should count for something. The surrounding community accepted DHL's vision of a global company operating in their backyards and understands that DHL must curtail its losses. However, usually when a company is losing money, they fire someone, not a whole town."

We now know that the letters "DHL" stand for "Do Harm and Leave".