

Captain Prater Oral Testimony
September 9, 2008

On behalf of the 53,000 ALPA pilots in the United States and Canada, I am honored to testify today. I am here specifically to speak on behalf of the 525 pilots ALPA represents at ASTAR Air Cargo, a group of pilots who have flown cargo for DHL for more than 20 years. Several of them are here today, including their union chairman Capt. Pat Walsh. The proposed arrangement between Deutsche Post and United Parcel Service to provide all lift for DHL's air overnight service is One Bad Deal. Bad for my members, bad for ASTAR, bad for air express competition, bad for southwestern Ohio, bad for American workers, and bad for the U.S. economy. For that reason, it is important for Congress to look carefully at the proposed arrangement and ensure that it is thoroughly reviewed by the antitrust authorities before it is consummated

The overall impact of the transfer of all DHL flying from the ASTAR and ABX hub operations in Wilmington is estimated to be enormous: a loss of more than 10,000 jobs and a dramatic reduction in economic activity in southwestern Ohio. I want to thank all of the elected officials from Ohio who are supporting our pilots, especially those members who were here today including Senator Brown who has been a strong supporter of ours from Day One.

My written testimony contains a detailed road map through a confusing set of corporate decisions that lead to one destination... disaster. That map includes secret discussions between UPS and Deutsche Post, which they hid from affected companies, employees and public officials. In ALPA's case, the secrecy was clearly intended to deprive us of the chance to protect ourselves, both in bargaining and litigation. Neither the result nor the procedure used to achieve it is in the interest of the U.S. economy.

Our first clue came on May 28 of this year, when Deutsche Post, the Germany-based parent Company of DHL, announced that it was negotiating to transfer all North American flying presently performed by ASTAR and ABX to its competitor, UPS. We were surprised for several reasons. First, Deutsche Post has a 49 percent ownership stake in ASTAR and representatives serve on its Board of Directors. Despite those close ties, the company utterly failed to inform either ASTAR or its employees that it had been negotiating with UPS for six months. While Deutsche Post was cutting its deal with UPS, ASTAR was negotiating a collective bargaining agreement with ALPA that was potentially paving the way to raid our pilots of their jobs.

In 2003 Deutsche Post sought to expand its North American operations to become a bona fide competitor to FedEx and UPS by purchasing Airborne Express, merging its ground operations into DHL's, and spinning off its air operations as ABX Air. But once Deutsche Post/DHL entered into the same sort of commercial arrangement with ABX as it had with ASTAR, they renounced any obligation to adhere to the collective bargaining agreement with ALPA. This led to several years of litigation.

Meanwhile, negotiations over a new contract between ASTAR and ALPA began in 2005 and continued through the beginning of 2008. The central issue in these negotiations was (no surprise!) job security. What we did not realize – and this was one very important detail – was that DHL and its parent, Deutsche Post were negotiating to hand over all flying to UPS. Meanwhile, DHL was making demands for revisions in the job security provisions of the tentative agreement between ASTAR and ALPA – including settlement of our litigation – which we see now were designed to clear the way for its secret arrangement with UPS. One Bad Deal.

I will close by reminding the Committee what DHL, which had been acquired by Deutsche Post, said in justifying that acquisition in a 2003 prospectus:

The UPS/FedEx duopoly today has a 79% share of the U.S. air express delivery market (versus Airborne and DHL's combined 21% market share).

The Airborne/DHL combination will act as a stronger third competitor in the expedited door to door delivery of small packages and documents and will have the ability to bring reduced prices and better service to small and medium-sized businesses.

No aspect of this prediction turned out to be true. Deutsche Post managed to take two niche competitors with a portfolio of premium business customers and likely survivors in the industry, consolidate and restructure them to its needs, and then run them into the ground. Now, after stripping both carriers of their ground operations, it proposes to leave the airlines for dead.

It is hard to see how the proposed DHL-UPS alliance will benefit consumers. As I said, this is One Bad Deal. This Committee should ask the parties not to implement their deal until it has been reviewed by either the Department of Justice or the Federal Trade Commission.

Thank you for your attention and I look forward to answering any questions you may have.