



PILOT GROUP PROFILE

Will FedEx Management Deliver?

In March 1973, a different kind of airline took to the skies, testing a new concept in air-cargo services: overnight delivery. While Federal Express delivered only seven packages that night in 1973, the company quickly regrouped and was back in the air a month later, this time delivering 186 packages and serving 25 U.S. cities. Today, FedEx Express (as the airline is now known) is the largest operating division of FedEx Corporation and generates more than \$19 billion in annual revenue, carrying an average of 3.3 million packages every business day to more than 220 countries with a fleet of 366 jet planes.

The company has grown and changed tremendously since 1973, and so have FedEx pilots, after years of overcoming challenges. From a contentious merger and seniority integration, multiple efforts at organizing that resulted in ALPA representation by a very narrow margin in 1993, ALPA's replacement by the independent FedEx Pilots Association in 1996, and two failed tentative agreements before reaching their current contract—FedEx pilots have faced many divisive issues that management took every opportunity to exploit.

FedEx pilots recognized the need to put aside their differences and focus on working together more successfully soon after narrowly ratifying their first contract in 1999. Today, after years of consensus-building hard work, the pilot group is more unified than ever. This unity and FedEx's continued financial success—the company reported net income of \$1.45 billion for the fiscal year 2005 ended May 31—have positioned pilots for success in the current round of negotiations. First, they must take on and overcome a management that remains as antiunion as in years past.

Long road to unionizing

From the airline's early days in the 1970s, Federal Express has faced incredibly long odds. Using aircraft devoted solely to overnight delivery was a concept that had never been tried before. FedEx founder Fred Smith understood that he needed employees who were dedicated to customers and who were willing to work hard to provide quality service, so he created an environment that fostered open communication and encouraged employee input. Countless stories are told of employees "going the extra mile," including pilots who loaded cargo and, in the company's less profitable days, paid for fuel with their own credit cards.

"When I first started here, I was just amazed at the work environment and how positive it was," recalls Capt. Charlie Fore, a 1978 hire and currently the pilots' Pilot-to-Pilot Committee chairman. Smith's philosophy that created this work environment later became known as

People-Service-Profit (P-S-P): if you take care of your employees, they will provide outstanding customer service and as a result, profits will follow.

But the personal and open culture of P-S-P became less evident as FedEx grew by leaps and bounds. Throughout the 1980s, the company introduced larger aircraft and began international service, and by 1989, FedEx had reached \$4 billion in annual revenue. No binding contract or legal collective bargaining representative was in place, and concerns continued to grow for some pilots.

FedEx pilots were thrown for a loop in late 1988, when management announced its intention to buy The Flying Tiger Line, at the time the world's largest cargo airline, with pilots who were represented by ALPA.

FedEx pilots had been operating under a Flight Crew Handbook (FCH) that management generated and changed with some input from various pilot committees. Just months before the Flying Tigers purchase was announced, management had suggested that the scope-type language in the FCH be scaled down in exchange for merger or acquisition protection that gave FedEx pilots seniority preference by "end tailing" other pilots at the bottom of the FedEx seniority list. But now, because the ALPA-Flying Tiger collective bargaining agreement spelled out procedures for integrating pilot seniority lists, FedEx management decided that the recently added FCH language could not be applied to the Flying Tiger acquisition. FedEx pilots

FedEx Pilot Group at A Glance

Number of Pilots: 4,400

Merged with ALPA: June 1, 2002

Operations: The world's largest express transportation company, serving more than 220 countries

Pilot Bases: Anchorage, Alaska; Los Angeles, Calif.; Memphis, Tenn.; and Subic Bay, Philippines

Hub Cities: Anchorage; Fort Worth, Tex.; Indianapolis, Ind.; Memphis; Miami, Fla.; Newark, N.J.; Oakland, Calif.; Toronto, Ont.; Paris, France; and Subic Bay

Equipment: B-727s, A300/310s, DC-10s, MD-10s, and MD-11s



Nearly 400 FedEx pilots conduct informational picketing in June, in front of the carrier's operations center in Memphis, Tenn.

sides from mediation. ALPA asked pilots to refuse all overtime flying, but management countered, with offers of 150 and 200 percent pay for the overtime work and enticed enough pilots to fly. Around the same time, a group of pilots started promoting a new independent union, the FedEx Pilots Association, as an alternative that they claimed would negotiate more effectively.

were outraged that management reneged on the recent deal and unilaterally eliminated powerful tools and arguments the pilots could use in the integration process.

FedEx completed the merger with Flying Tigers in August 1989. In October, a representation election was held to determine if ALPA would continue to represent the merged groups. That vote failed by a large margin. Another representation election in August 1991 also failed, but the margin was less than 1 percent of the total pilots eligible to vote. ALPA appealed the election result to the National Mediation Board, charging FedEx management with illegal interference under the Railway Labor Act. After a year-long investigation, the NMB ruled in ALPA's favor and ordered another election. This time, a majority of pilots voted for representation (thus producing a valid election under NMB rules), but ALPA and an independent union split the vote. ALPA garnered 38 percent of the total—a higher percentage than the independent union—and was certified the collective bargaining representative of FedEx pilots. The vote disappointed many FedEx pilots and further divided an already fractured group. Management was even less pleased to be dealing with a union for the first time in its history. With this backdrop, contract negotiations began in 1994.

Five years to a contract

Negotiations proved very difficult. Management had fought unionization for years and resisted any steps that acknowledged the collective bargaining relationship or moved the two parties toward a set of binding and enforceable rules. In fact, during the Flying Tigers merger, *The Wall Street Journal* had quoted Smith as saying, "I don't intend to recognize any union at Federal Express." The split between unions, a total vote that only narrowly provided for certification of any union, and the membership numbers early on emboldened management.

Management efforts to divide the pilot group strengthened in the fall of 1995, when the NMB released the two

The parties ultimately reached a tentative agreement in mid-1996, but members rejected it by a wide margin and voted in the FPA later that year. A new tentative agreement reached with management a few months later was also voted down by members in early 1998. A new FPA Negotiating Committee resumed bargaining with management in June 1998—the same period that management started using an automated scheduling system that management referred to as the "optimizer." FedEx pilots had a different name for it, which we don't want to print here. With little human input or control, the new system built schedules that it calculated were efficient. But some of those required pilots to fly back-to-back transatlantic and transpacific flights or travel for hours in vans between airports.

"We had allowed the natural and constant differences among pilots to become divisive, and management couldn't resist capitalizing on our inability to come together as a cohesive and unified group," says Capt. David Webb, FedEx Master Executive Council chairman. "But when the vice-president of flight operations gave the O.K. that summer to turn on the optimizer, things changed forever." Pilots' lives were turned upside down, and they realized the gravity of the failed TA. Even the most dedicated "purple" pilots, which is what most of the nonunion pilots who still wanted to believe in the P-S-P philosophy were called, realized that that philosophy had died.

By November, FPA membership shot up to 98 percent; but the existing FPA leadership collapsed. Hundreds of pilots contacted management for flight hour summaries so they could apply for jobs at other airlines.

Another tentative agreement was reached in December 1998. It didn't meet all the expectations of FedEx pilots, but the potential mass exodus of pilots had produced modest improvements, and the contract offered some stability. After more than 5 years of uncertainty, the first contract at FedEx was ratified in February 1999 by a somber pilot group, after its trial by red-hot fire.

Even though the new contract wasn't amendable until

“Management has one way to deal with the pilots, and that’s through heavy-handed discipline and subtle and not-so-subtle intimidation. I think it’s counterproductive to serving our customers and it’s certainly counterproductive to relations with the pilots.”—Capt. David Webb, FedEx MEC chairman

May 2004, work to prepare for the next round of negotiations started right away. As part of the FPA’s own internal business plan, called “Vision 2004,” the issue of affiliation with a national union was put on the table. Polling indicated that FedEx pilots supported such affiliation as a way of increasing bargaining power and adding resources. An internal committee was formed to investigate options and report back. According to the committee’s report, after FedEx pilots reviewed all available choices, “more than two-thirds said they preferred to affiliate with ALPA (69 percent). Second choice was remaining independent (24 percent). There was negligible support for affiliating with the Teamsters (2 percent)... Regardless of membership status, the largest proportion of crewmembers preferred to affiliate with ALPA.”

The FPA began merger discussions with ALPA, and in April 2002, FedEx pilots approved the merger agreement, with more than 90 percent voting in its favor. FedEx pilots had charted a new course together, as the first step in preparing for negotiations.

Current negotiations

Soon after the merger was consummated, FedEx pilots began using ALPA resources to prepare for negotiations. With the goal of providing comprehensive and timely information to the entire pilot group, ALPA Communications Department staff worked with FedEx pilot leaders to expand their existing pilot support structures and train Pilot-to-Pilot and Family Awareness Committee volunteers. ALPA’s Representation Department got to work conducting negotiating and leadership training courses. And ALPA’s Economic and Financial Analysis, Retirement and Insurance, and Legal Departments spent considerable time with the MEC and committees helping in their preparations by determining the cost of the current contract, helping to formulate proposals, and providing important information to the Negotiating Committee.

In the summer of 2003, the MEC conducted a comprehensive membership contract survey, which, along with telephone polling, two-way pilot communication, and a review of contract disputes, was the basis for formulating opening proposals. Leaving aside language clean-up, which is very important to all FedEx pilots, work rules, scope, retirement security, and health care were identified as top concerns and are the “cornerstones” for a new contract. When negotiations began in March 2004, ALPA staff members from each of the departments were present to advise the MEC or the Negotiating Committee. Away from the bargaining table and in light of past management efforts to divide the pilot group, considerable ef-

forts have been made to develop and distribute consistent and continuous streams of information to pilots.

Not surprisingly, FedEx management still tries to frustrate pilots and the negotiating process by plodding along, passing volumes of paper back and forth instead of openly discussing problems, and generally making each session feel like a bad scene from the movie, *Groundhog Day*. The past 17 months of negotiations have produced TAs on approximately 10 sections of a new contract; but none of the key areas of the contract are on the verge of resolution. And in a move that was widely expected, management offered, on April 29, to end negotiations with a proposal for changes to only the compensation and duration sections of the contract. All existing TAs were to be eliminated if ALPA agreed to the settlement proposal. ALPA’s Economic and Financial Analysis Department calculated that, after adding in the signing bonus and factoring in that pilots have not had a pay raise since December 2003, the offer represented a 2.3 percent year-over-year raise. The MEC unceremoniously rejected the “settlement offer,” and negotiations continue.

“Sadly, management continues to expend untold energy and resources to prove that collective bargaining and union representation do not fit in the FedEx ‘culture,’” says Capt. Webb. “I don’t think that management has recognized the change in how the pilots are dealing with themselves.”

And what a change it’s been! More than 500 pilots and family members participated in a March rally marking the 1-year anniversary of the exchange of openers. In June, nearly 400 pilots demonstrated in front of the FedEx Express Air Operations Center in Memphis to show their frustration with management and to state that the Negotiating Committee speaks for all FedEx pilots. Holding signs declaring that and “FedEx Has FAILED to Deliver,” the pilots were encouraged by passing drivers who waved and honked horns. The turnout and public support for the June demonstration was in stark contrast to the early days of FedEx pilot union efforts, when many pilots were reluctant to participate out of fear of being fired.

“Management has one way to deal with the pilots, and that’s through heavy-handed discipline and subtle and not-so-subtle intimidation,” says Capt. Webb. “I think it’s counterproductive to serving our customers and it’s certainly counterproductive to bettering relations with the pilots.

“But,” he says, “I truly think that if we continue to work hard and continue to demonstrate the solidarity and reasonableness that we have shown so far, we can go a long way toward preventing a confrontation. We will give management every opportunity to resolve this, but we’re only one half of the equation.” 🗨️