

Congressman Michael R. Turner  
Representing Ohio's Third Congressional District  
Testimony before the House Transportation and Infrastructure Committee  
Hearing on Competition in the Air Shipping Industry  
September 16, 2008

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Thank you Chairman Oberstar, Ranking Member Mica and the other members of the Transportation and Infrastructure 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. I have attached and request to submit for the record the written statement of Mary Houghtaling, Mary is the President and Co-founder of Community Care Hospice in Clinton County. Mary's statement details the detrimental impact that this transaction will have on the non-profit, small business, and community service community.

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 22<sup>nd</sup> 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".

STATEMENT OF

MARY HOUGHTALING  
PRESIDENT/COFOUNDER,  
COMMUNITY CARE HOSPICE

BEFORE THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE  
U.S. HOUSE OF REPRESENTATIVES

ENTITLED

"EFFECTS OF PROPOSED ARRANGEMENT BETWEEN DHL AND UPS  
ON COMPETITION, CUSTOMER SERVICE, AND EMPLOYMENT

PRESENTED ON

SEPTEMBER 16, 2008, 2:00 PM

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SEPTEMBER 16, 2008**

Mr. Chairman and Members of the Committee, I am grateful to have the opportunity to share my concerns for the nonprofits and small businesses in the Southwest Ohio area that will be directly affected by the proposed arrangement between DHL and UPS. My name is Mary Houghtaling. I am the President and Cofounder of Community Care Hospice in Wilmington, Ohio. I am also a member of the Board of Director's of the Wilmington Clinton County Chamber of Commerce. We established our Hospice 4 years ago and have served over 660 Patients and their families. We are also the only small nonprofit Hospice in the State of Ohio that accepts pediatric patients. We currently employ 45 health care professionals and care for approximately 40 patients a day.

I have had the privilege of personally relaying my concerns to Governor Ted Strickland and Lt. Governor Lee Fisher, both of Ohio, in a private meeting with Senator John McCain, and to testify at the Field Hearings of the Ohio House State Government and the Ohio Senate Finance Committees. Senator McCain remarked that I put a "human face" to the issue, as this is a very complex situation, we can all understand the needs of our hungry, homeless neighbors. Indeed, no one can predict how devastating the pending agreement of DHL/UPS will be on the employees and citizens in the 6 Counties where ABX Air/ASTAR Air Cargo and DHL is the largest employer.

I would like to expound on the incredible value of the nonprofits in our community. I would also like to expose their vulnerabilities, in the event that the 3 companies are no longer here.

The time and talents their executives lend to our boards is invaluable. The volunteers that help run our fundraisers are irreplaceable. The direct and indirect dollars donated from these companies and their employees help keep us solvent. The loss will be incalculable. It is truly one of the unknowns. Those same people who wrote the all important 25.00 donation checks may be unemployed and in need of our services themselves. This leads me directly to the programs that will not only lose those donations, but their need is going to be magnified. Agencies in Clinton County alone that come to mind immediately are:

Services for the Homeless projects they will provide 11,375 shelter nights, serve 34,125 meals, and will give out 4,000 food baskets in the next year to anyone in need. Many times they have to turn people away, and their demands will surely increase.

Sugartree Ministries encompasses a food pantry, 12 step programs, temporary housing, supplies clothing, gives out 7,000 canned goods a month, and provides nearly 1,500 meals a week to the needy. They have already seen their numbers multiply.

Domestic Violence currently serves 1,600 people annually in Clinton and Highland Counties. They deal with spousal and child abuse every day, in fact, they have already seen a 10% increase in request for services.

Agencies that will also immediately be impacted are:

The United Way funds a percentage of 39 programs in 30 agencies. They will lose a minimum of 55,000 dollars, which represents 17% of their overall budget. In fact, some of the programs they fund will not survive.

The Wilmington Clinton County Chamber of Commerce has over 300 members comprised of 20,000 employees, of which 8,600 are employed at the Airpark. The Chamber will lose over 12,000 dollars in direct membership dues. One of benefits at risk is the Bureau of Workers Compensation group discount program, which totals over 1.5 million dollars in savings to members. With the uncertainty of other business retention and new business attraction their very survival is in question. This would lead to direct hardships on other nonprofits such as mine.

Community Care Hospice thanks to our membership in the Chamber, being enrolled in the Workers Compensation program, we save over 45,000 dollars a year in premiums, which represents the majority of the salary of a Registered Nurse. In fact the day after the DHL announcement we were to meet with architects to begin the planning stages of a desperately needed inpatient unit. Even with a 2.5 million dollar budget, due to Medicare and Private Insurance reimbursements, our program will survive, although we may have to scale back, and will not be able to expand our services or build a unit.

Clinton County Leadership Institute provides leadership education and training to

over 100 adults and youth per year, of which from the adult program approximately one quarter are employed with the 3 companies. Without them, the program will surely come to an end after more than 20 years. Combined the alumni donate 75,000 service hours to more than 300 agencies annually at a value of over 1 million dollars.

This is but a fraction of the 33 nonprofits in Clinton County that have a budget of over 7 million dollars. The next two most affected Counties - Fayette and Highland have very similar agencies with the same needs. The 3 less affected Counties also will have the same issues of loss of revenue/donations and see their needs rise.

Indeed, without these programs some of our neighbors would go hungry and homeless without hope, continuing to live with addictions and fear. Many of our clients would not feel safe or uplifted. Children would not learn, or be cared for. Patients would die alone or in pain. The leaders of tomorrow would not learn the importance of good business practices. Families would not find peace sheltered from violence. There wouldn't be a place to share talents and creativity. The feeling of hopelessness would prevail.

Running a nonprofit is like managing a business with a double bottom-line. If you're only concerned with a single measure of success, you can do whatever it takes to achieve it—cut personnel or move your plant—but if you're a community-based venture you can't move out of town and you have to assume that the problems in the community are your problems. It's a very different game.

If this deal is allowed to go forward, it is inconceivable to think about losing 8,600 jobs in the first wave, and the estimates run in the 30,000 range as the wave continues. The small businesses stand to be decimated. The estimates run as high as 2 or 3 of every 5 shutting their doors. As Dan Stewart from our local Book Store said, "this is not a ripple effect, this is a flash flood". It is people like Dan and his wife Marla, and Molly and Mark Dullea who returned the 2<sup>nd</sup> oldest Hotel in Ohio to the glory of its' heyday, that may lose everything they have worked for. The real estate businesses will be devastated with the downward spiral of home values, and countless foreclosures, along with the banks and other lenders. It is estimated that there are 18 businesses that will be directly affected in the second wave such as family owned and operated Sewell Trucking, and businesses like Technicolor that fill the air park facilities, and are in Wilmington primarily because of the airport. The schools within the area are going to lose an untold amount of tax revenue. Services to retired folks will be in jeopardy. The ability to provide basic human services such as Fire, EMS, and Police will be in question. Our county Hospitals will not be able to survive with thousands of people losing their health care benefits.

There are countless couples who work for ABX, DHL and ASTAR that will lose all of their household income. People like Bruce McKee, who has given nearly 25 years of his life helping Airborne Express build a thriving business raising 5 kids with 2 in college who may not be able to provide for his family.

There will be another 1,100 Pilots out of work in an era when flying jobs are few and far between, including my husband after being at Airborne Express/ ABX Air for over 20 years and ending his 35 year flying career wondering where to go from here.

There is an estimate of over 1,000 employees who don't have their GED at the Air Park, what in the world will they do? With the prospect of employment in our surrounding large cities dwindling and gas costs soaring, commuting will be questionable at best.

I think the question begs to be asked "how did the world's largest cargo company take over a successful American cargo company that once had 16% of the market and over the course of less than 5 years lose over 50% of their business? Were there options on the table that could have prevented this from happening? I will let others here today, and those of you who choose to, look into them and address those issues.

There are many disasters that people survive every day in this country, natural disasters such as floods, fires, hurricanes, and tornados. Their choices are uncomplicated, stay and rebuild or move on. This is a manmade disaster that should not and does not have to happen. If it does, it will leave us with very few choices.

On behalf of the nonprofits and small businesses who have no representation, and who's voices have yet to be heard, I ask you to consider the ramifications of the DHL/UPS agreement.