

United Parcel Service (UPS)

[LAST UPDATED MAY 2003]



Corporate Profile Series

1. Organizational Profile

Main Divisions

- **UPS – Parcel Delivery** – traditional UPS business.
- **UPS Logistics** – supply chain and e-commerce – aim to ‘design, re-engineer, and manage all or any part of the supply chain’ e.g. transportation services, service parts logistics, e-commerce logistics, global services, supply chain management. This area is the big, expansive push for UPS over the next few years.
- **UPS Capital** – internal and external financing – includes COD enhancement services, distribution finance, equipment leasing, electronic invoice and payment, global trade finance, insurance. This is also an area of expansion for UPS, as they are aiming to market themselves a seamless goods, information, and financing company. UPS Capital includes their lauded Strategic Enterprise Fund as detailed below under key future strategic aims.
- **UPS Retail** – UPS Retail Services was formed shortly after UPS acquired Mail Boxes Etc. in 2001. UPS Retail oversees all of UPS owned and operated retail entities. In 2003 UPS offered Mail Boxes Etc. franchise holders discounts on shipping services if they would change the name of their outlets to “The UPS Store”. By Spring 2003 over 3000 Mail Boxes Etc. location in the United States adopted the UPS name. As detailed below, a lawsuit has been filed by a number of Mail Boxes Etc. franchise owners claiming that UPS has not followed proper franchising regulations in their move to create UPS retail outlets.

Companies owned by UPS

- UPS Air Cargo
- UPS Aviation Technologies
- UPS Capital Corporation
- UPS Consulting

- UPS Mail Innovations
- Mail Boxes Etc.
- UPS Professional Services
- UPS Supply Chain Solutions
- UPS TeleServices

<http://www.ups.com/content/corp/companies/index.html>

Head Office in Atlanta, Georgia

Canadian Head Office in Mississauga, Ontario

Website: www.ups.com

Email info: customerservice@ups.com

Info: 1 800 PICK-UPS

Executive Salaries (salary + bonuses in 2002, in US funds):

Michael L. Eskew, CEO and Chair of the Board: \$1,138,815

Thomas H. Weidemeyer, COO, Sr. VP and Pres. of UPS Airlines: \$814, 916

Lea N. Soupala, Sr. VP, H.R. Group Mgr: \$654, 658

Joseph Moderow, Sr. VP, Secretary, Legal and Public Affairs Mgr: \$792, 106
(Wall Street Journal, May 12, 2003)

2. Economic Profile

In 2002 UPS employed 360 000 people worldwide

| Financial Data | 2002 | 2001 | %Change |
|-------------------------|-----------|-----------|---------|
| Revenue | \$31,272m | \$30,321m | 3.1% |
| Net Income | \$3,254m | \$2,399m | 35.62% |
| Earnings per Share | \$2.8 | \$2.1 | n/a |
| Capital Expenditures | \$1,658 | \$2,372 | -30% |
| Long Term Debt | \$3,495 | \$4,648 | -24.8% |
| LT Debt to Equity Ratio | 0.28 | 0.45 | n/a |

| For the Quarter ended December 31, 2002 | | |
|---|-----------|--------------------------|
| Financial Data | Dec. 2002 | Change |
| Revenue | \$8.2 b | up 3.2% from prev. year |
| Net Income | \$1,430 m | \$645 million prev. year |

Stock Symbol – UPS (on the NYSE)

- 2002 – 3% increase in operating profits.
- Institutional holdings, which are stocks held by institutions or funds, such as pension funds, are now 28%, down from 62% in 2000.
- UPS is now averaging 13.3m packages and documents delivered/day (1.2m packages delivered/day internationally).
- "More than just parcel delivery" e.g. UPS Logistics – 85% of UPS package volume was processed using a UPS or UPS compatible shipping system in 2000. On-line package tracking requests up 182% in 2000 to 3.2m/day. Total non-package profit was \$60 million.

Financial Data – International

International Operating profit went up 61.1% from 2001 to 2002.

Key transactions and activities of recent years

- **January 2003** – UPS raise delivery rates by 4%
- **February 2002** – UPS creates new business unit, UPS Supply Chain Solutions, that combines the sales, marketing, finance and technology resources for its supply chain subsidiaries. This consolidates sales and marketing and will bring together a wide range of supply chain companies and units UPS has purchased over the years.
- **November 2002** – A NAFTA tribunal determined that it has jurisdiction to decide United Parcel Service's \$155 million suit against the Canadian Government. UPS claims that government policies are hurting profits. The suit, filed three years ago under chapter 11 of the North American Free Trade Agreement, alleges that the Government of Canada ignores what UPS calls 'anti-competitive actions' by Canada Post Corp. The NAFTA tribunal dismissed Canada's claim that NAFTA panelists lack authority to determine whether Canada Post's courier services, Purolator and Express Post, are subsidized by revenues and access to Canada Post counters, post boxes and warehouses. However, going against some of UPS Inc's claims, the tribunal did agree that it does not have authority to determine if the Canadian Government is obligated to do more to curb Canada Post's alleged 'anti-competitive practices'. New hearings remain unscheduled. <http://www.dfait-maeci.gc.ca/tna-nac/parcel-en.asp>
- **September 2002** – UPS completes a \$1 billion expansion of its global 'hub' air facility in Louisville, Kentucky.

The expansion doubles the size of the sorting complex to over 371 000 square metres.

- **April 2002** – UPS announced that it will build a new regional air hub at Vancouver International Airport. UPS plans to open the facility in 2004.
- **February 2002** – UPS creates new business unit, UPS Supply Chain Solutions, that combines the sales, marketing, finance and technology resources for its supply chain subsidiaries. This consolidates sales and marketing that will bring together a wide range of supply chain companies and units UPS has purchased over the years.
- **January 2002** – Michael Eskew assumes position as CEO
- **December 2001** – UPS Logistics, UPS Capital, and Montreal based biomedical company, Haemacure launched an agreement for UPS to manage Haemacure's financial and supply chain management services. Haemacure gained a \$6 million credit facility with UPS Capital, and UPS Logistics will provide inbound and outbound transportation and as well as its warehousing services for Haemacure's biological adhesive, from the manufacturer in Austria, to the warehouse and distribution facility in Texas, to hospitals throughout the U.S. It is this kind of international supply chain management plan that makes UPS so keen on the WTO-GATS agreement to facilitate the free flow of goods without government regulation or restrictions.
- **October 2001** – creation of UPS Consulting, a wholly owned consulting company – it will offer clients supply chain management strategies.
- **August 2001** – UPS chair and CEO Jim Kelly announces January 2002 retirement. Michael Eskew, Vice Chair and Executive VP, is to replace him.
- **May 2001** - Purchase of Mailboxes Etc.
- **April 2001** - US China Express began – exclusive delivery to China. April 1st, 2001
- **January 2001** - Purchase of First International Bank Corp for \$78m, a national leader in the use of U.S. government-guaranteed loan programs. The acquisition was completed in August 2001.
- **November 1999** - Initial Public Offering of shares- \$5.49 billion, the largest in history.
- **2000** - Creation of UPS Logistics and UPS Capital Corp to expand UPS beyond parcel delivery (see below)

Key Future Strategic Aims

- Expansion of e-commerce through UPS on-line tools (subsidiary of UPS Logistics). This includes an imperative to liberalize e-commerce rules in the WTO, FTAA and other trade agreements.
- Expansion of Strategic Enterprise Fund (Venture Capital) to invest in 'new economy' ventures such as supply chain management, logistics, asset tracking, internet.
- Furthering global reach of fully integrated UPS services.

3. Political Profile

Government and big business associations of UPS:

- **US Coalition of Service Industries (USCSI)** – the key US lobby group regarding negotiations in the GATS and FTAA services negotiations (www.uscsi.org)
- **Air Couriers Conference of America (ACCA)** – represent the interest of the air courier and express delivery industry in lobbying legislators. Affiliate member of the USCSI. (<http://www.aircour.org>)
- **US-ASEAN Business Council** – promotes trade and investment in Cambodia, Indonesia, Laos, Thailand, Singapore, Philippines. (<http://www.us-asean.org>)

Government associations of Mike Eskew – CEO

- On February 26 2003 Mike Eskew was sworn in by President George W. Bush to the President's Export Council. The President's Export Council is the "premiere national advisory committee on international trade". The council advises the President of government policies and programs that affect US trade performance. The council is made up of twenty-seven CEOs and high ranking executives (including Riley Bechtel of Bechtel Corporation and Lee R. Raymond of ExxonMobil) from some of the United States' largest corporations with a lone representative from organized labour along with a lone representative from organized labour. Five senators and five members of the House of Representatives make up the remainder of the council. All are appointed by the President of the United States and "serve at the pleasure of the President". <http://www.ita.doc.gov/td/pec/>

Political contributions

- UPS contributed \$1,621,291 to federal candidates in 2002. 31% to Democrats and 69% to Republicans.
- Top Contributor in the 2000 US Presidential Election – Transportation sector: UPS \$3,135,569
- UPS, the 18th highest election contributor overall, gave 73% of its \$ to the Republicans. The second largest contributor was FedEx at just over 2.5m. (www.opensecrets.org)

WTO Millennium Round 1999, Seattle

UPS paid between \$150,000 to \$249,999 to be a diamond level supporter of the WTO Ministerial host committee and to have special access to those in the negotiating process.

Public Relations – Edelman Public Relations Worldwide (www.edelman.com)

- UPS's main PR firm, Edelman managed their public relations during the strike in 1997.
- One of Edelman's largest campaigns has been to look at NGOs and their new found power "brands" since Seattle's WTO ministerial and develop action plans for corporations to slow them down or co-opt them.
- Edelman is the volunteer PR firm for the UN Global Compact, the unenforceable 'corporate accountability

compact' recently tabled at the UN by Kofi Annan. The compact is hoped to be a public relations coup for companies with tarnished public images to show their support for democracy and human rights without actually having to change their practices.

- Michael Deaver, the international chair for PR at Edelman who handles much of UPS's international PR, was the architect of Ronald Reagan's highly successful communications strategy in the 1980 and 1984 elections.

- Two recent campaigns for UPS by Edelman 1. Keiko's Journey Home – delivered a whale to Iceland using and showcasing UPS delivery and technology expertise. 2. UPS Panda Express – delivered Panda's to the Atlanta Zoo from China to showcase UPS expertise as well as to set the stage for the lobbying effort to get UPS exclusive access to the Chinese shipping market (April 1st, 2001 – UPS began daily flights to China)

<http://www.pandaexpress.ups.com>

4. Social Profile

Anti-competitive practices:

- Purchased Fritz customs brokerage and freight handling company – at the time Fritz was under a six year contract with FedEx for their US customs brokerage business. FedEx complained that UPS has received trade secrets from Fritz and that UPS should not be able to own Fritz as long as FedEx is under contract with them (Bloomberg News 2/28/2001 & Comment Wire 1/12/2001). In January 2002 a FedEx subsidiary, Tower Group International, acquired the express customs clearance operations from Fritz Companies, Inc., in four locations in the US. This transaction ended any pending lawsuits between UPS and FedEx.

<http://www.ftn.fedex.com/about/news/releases013102.htm>

- UPS is aiming to keep foreign companies out of the US market at the same time that they are expanding exponentially around the world and suing foreign governments for 'unfair, monopolistic practices' (see above: November 2002). UPS' desire to maintain their hold on the U.S. delivery market has led them to team up with competitor FedEx in order to stop European delivery company DHL from expanding operations in the United States (see above: May 2003) In 2001 UPS asked the US Department of Transportation to reconsider its approval of Deutsche Post International to act as a foreign freight forwarder. (The Standard.com 01/24/2001)

Illegal Tax Shelter:

- UPS paid \$1.8 billion to the IRS for a tax liability connected to an illegal, offshore tax shelter. It consisted of sheltering money from parcel reinsurance from 1984-1999 through a corporation called Overseas Partners Ltd.. The US Tax Court called it a 'sham transaction lacking in economic substance'. Total liability could reach \$2.353 billion. (Traffic World 10/04/2000 & Transport Topics 08/23/99) **Important: In June 2001, an Appeals Court overruled the Tax Court's Decision that UPS had improperly tried to avoid federal income taxes. The money has not been returned to UPS, as decisions on that are still up in the air.**

Teamsters Strike –1997

- The Teamsters went on a prolonged (16 days) strike against UPS in the US in 1997, which they won, and some say was the most important labour union victory of the past 25 years. 185,000 workers were involved.

One of their key demands, to have a large number of full-time jobs created for part-time workers, was won. (UPS had been having workers work two part-time jobs for half the pay of a full-timer). It garnered widespread public support, which is quite a change for the better in looking back over the past number of years.

Workplace Harassment

- According to a letter written by a Shop Steward for Teamsters Local 78 to UPS CEO Jim Kelly: After speaking up about safety concerns from a hazardous chemical exposure as well as speaking up about a discrimination case of a fellow worker, a, was harassed and issued a termination letter for violating an unknown UPS policy. (<http://www.thesteward.net/rattle/kelly1.html>)

UPS and Federal Express team up to protect US market

- May 2003 – UPS and Federal Express have teamed up to resist European delivery company DHL from gaining a foothold in the lucrative US market. Both US corporations, who together control nearly 80% of the \$46 billion annual parcel-delivery business in the US, are questioning the assertion in a filing before an administrative-law judge with the US Department of Transportation, that DHL airways is independent from DHL and is owned by a US citizen. DHL and its new owner Deutsche Post claim that the actions taken by UPS and FedEx are designed to fend off competition in the US market. UPS and FedEx are worried that the larger Deutsche bank will allow DHL to undercut existing US delivery rates. <http://online.wsj.com/article/0,,SB105278512451328000,00.html>

Workplace Discrimination

- April 2003 – Discrimination Trial against United Parcel Service begins in San Francisco. Nine hundred hearing impaired workers are mounting a class action lawsuit arguing that the company excluded them from a number of job categories and generally limited them their ability for promotion. ["UPS safety provision ruled discriminatory", *San Francisco Chronicle*, Dec. 1, 2002, Bob Egelko, <http://sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2001/12/01/MN234.DTL> "Trial Begins in Bias Suit By Deaf UPS Workers", Stephen Greenhouse, *New York Times*, April 9, 2003. Available at: <http://www.nfbnet.org/pipermail/blindlaw/2003-April/000358.html>]

Mail Boxes Etc. Franchise Owners file suit against UPS

- April 2003 – A group of Mail Boxes Etc. franchise owners filed suit in a California Superior Court alleging that UPS is violating the California franchise investment law. The suit stems from a move by UPS earlier this year that offered franchise holders discounts on shipping services if they would change the name of their outlets to "The UPS Store". The suit claims that UPS failed to properly register the new franchise and provide store operators with a franchise offering. The UPS store would set maximum prices owners could charge for shipping, whereas before owners could set their own prices. <http://www.reuters.com/newsArticle.ghtml?type=topNews&storyID=2771013>; Package delivery Battle Hinges on DHL Ruling, Rick Brooks, *Wall Street Journal*, Tuesday May 13, 2003. http://online.wsj.com/article/0,,BT_CO_20030429_003932,00.html (need subscription to access), also available by [clicking here](#)]

Occupational Health and Safety OSHA reports and complaints

- **March 2003** – 178 UPS work sites appear on OSHA's list of 14,000 US workplaces with the highest national injury and illness rates. A new OSHA policy introduced in March 2003 would allow automatic inspections of all 178 worksites in the event of an egregious safety violation ("OSHA to Address Persistent Violators Of Job Safety Rules", New York Times, David Barstow and Lowell Bergman)

(Information below from: <http://www.igc.org/solidarity/teamster/hsups.htm>; "Executive Excess 2000: Seventh Annual Compensation Survey, Institute for Policy Studies and United for a Fair Economy, August 30th, 2000 www.ufenet.org/press/2000/Executive_Excess_2000.pdf; "The 1995 Lobbying Hall of Shame" by Ken Silverstein, Multinational Monitor, Jan/Feb 1996 <http://www.essential.org/monitor/hyper/mm0196.12.html>)

- **Ergonomics standards** – UPS attempted to bar OSHA from developing ergonomics rules intended to protect workers from repetitive stress injuries and heavy lifting. To advance this view, UPS spent \$500/congressperson who attended a "meet and greet" event on the issue. 16 of 17 members on the House Appropriations Subcommittee looking at these rules who attended the event voted for UPS.

- In addition, UPS hired Dorothy Strunk, the former head of OSHA, as a consultant. She had drafted the proposed ergonomics standards and now she is with UPS to fight against them. UPS spokesperson Bob Kenney says Strunk's "experience in health and safety is certainly a reason we brought [her] in." Strunk sits on the National Association of Manufacturers' Coalition on Ergonomics, a group that has opposed the Ergonomics Standards. (Institute for Policy Studies & Multinational Monitor)

- UPS's 'resilience' (and campaign finance dollars) on the issue of ergonomics rules has paid off, the Bush administration called off the implementation of the rules, calling them imbalanced between safety and cost.

- An occupational weight lifting limit of 51 pounds is recommended (revised NIOSH lifting Equation 1993) – in the past few years, UPS has increased its weight limit from 50 to 70 to 150 pounds.

- **Highest injury rate in Trucking and delivery** – 15 lost time injuries per 100 employees – from 1990 to 1996, over 1300 safety violations reported to OSHA. Between 1972 and 1996 UPS spent \$4.6m in fines. New measures have not been put in place to reduce this, in fact, UPS has continued to have a very high rate of injury.

- Porta Potts were placed at O'Hare Airport in Chicago rather than toilets for UPS workers, which goes against OSHA standards.

5. Stakeholder Profile

UPS has the cautionary backing of Jimmy Hoffa Jr. and the Teamsters in the fight against US Postal Service, Deutsche Post International, and Canada Post seeing them as "anti-competitive". This is because UPS employs 1.5m Teamsters and is the key to membership sustainability. The Teamsters have also come out against the service agreement between FedEx and the USPS - FedEx said its FedEx Express unit would use its aircraft to ferry Express and Priority Mail from airport to airport on behalf of the Postal Service.

Quotations

Mike Eskew, CEO and chair of the board: Our need to feel connected to something large than ourselves -- is the real secret sauce that's going to advance the digital revolution...around the world.

http://www.pressroom.ups.com/staticfiles/speech_digests/12.pdf

Tom Weidemeyer COO of UPS and President of UPS Airlines on globalization: "Economies that have opened their markets to world trade over the past four decades have seen marked gains in income and consumption, in educational attainment, health care treatment, cultural advancement and political stability...Globalization is more than economic empowerment. It's more than just simple buying and selling goods among countries. At its core, it's about empowering people and communities with a better quality of life". --- from a September 2002 keynote address to the World Trade Center, St. Louis.

http://www.pressroom.ups.com/staticfiles/speech_digests/18.pdf

Jim Kelly, former CEO of UPS and board member of the National Welfare to Work Campaign, on workfare: "This kind of locally-based, business centered approach is exactly what employers have been looking for," said Kelly, whose company is one of America's Welfare to Work leaders. UPS hired more than 8,300 former welfare recipients in 1997 alone. "In a growing economy, welfare to work is a smart solution for businesses looking for entry-level workers. This campaign will help companies large and find former welfare recipients to meet their workforce needs."

www.enterprisefoundation.org/press/archives/pressarch.asp?ID=24

Jim Kelly, on e-commerce: Well, I mean, I think all of our responsibilities involve reducing or eliminating whatever barriers there may be to e-commerce, whether they're barriers in different parts of the world, for example, or how security issues or taxing issues ultimately come out. I think we all have a role in that, certainly. You know, there's different niches for each of us. We think of ourselves as enabling global commerce. --- James Kelly on the CEOlive.com show, Tues Feb 22, 2000 www.ceolive.com/interviews/kelly.html

On the proposed ergonomics regulations to reduce repetitive stress syndrome: Gina Ellrich, a spokesperson at UPS's Washington, D.C. office, says her company "supports ergonomics principles," but opposes OSHA's approach. "The proposed regulation is very broad-based and without a great deal of scientific back-up," she says. "We don't think American business should be an experimental laboratory when it comes to regulation."

"The Postal Service is thumbing its nose at the free enterprise system by systematically attacking and undermining its private-sector competitors through unfair government-granted advantages,"

"UPS fully embraces competition on a level playing field," Kelly said. "But the Postal Service is competing on anything but a level playing field. The agency is using its government status to undermine the free market system by subsidizing its competitive products with revenue from its first class mail monopoly. The Postal Service is an anti-competitive, anti-free enterprise, government bureaucracy that wouldn't last one day in the free and open market of real competition." --- UPS Press Release 04/14/1998

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