



Discontented drivers challenge FedEx Ground

Contractor system, inherited as operation took shape, is being challenged in court.

By Woody Baird
Associated Press

July 25, 2005

MEMPHIS, Tenn. -- Though FedEx Corp. was built on a cargo airline, its trucking business is now a big-time moneymaker and a tough competitor for UPS.

But the shipping giant's trucking division, FedEx Ground, is embroiled in a growing labor fight that could raise operating costs by millions and lead to an overhaul of its work force.

The argument centers on more than 14,000 drivers -- independent contractors who own the trucks, pay all operating costs and get no company benefits.

Drivers in Tennessee, California, Massachusetts, Minnesota, South Dakota and elsewhere are suing FedEx, arguing it skirts worker-protection laws by refusing to hire them as employees eligible for full benefits.

FedEx Ground, headquartered in Pittsburgh, was created seven years ago amid a reorganization of the parent company, which also owns FedEx Express. The world's largest cargo airline, FedEx Express operates a hub at Indianapolis International Airport.

The ground unit brought in almost \$4.7 billion in revenue out of FedEx Corp.'s \$29.4 billion total for the last fiscal year that ended May 31. The company consistently has described the FedEx Ground division as one of the primary reasons for a steady increase in earnings.

Reorganization issue

A victory by the unhappy drivers would raise employee costs and force FedEx Ground to maintain its own fleet of trucks, said University of Memphis business professor David Ciscel. "FedEx Ground would feel this dramatically," he said. "It would have to be reorganized."

Spokesman Perry Colosimo said FedEx Ground is confident it can win in court and has no intention of changing the way it does business. The independent-contractor system, he said, keeps shipping prices competitive and allows the drivers to run their own small businesses.

But the drivers say FedEx controls just about everything they do -- the hours they work, where and when they pick up or deliver packages, how they maintain their trucks, even how they dress.

"They're calling these drivers independent contractors, but they're really employees," said Christopher Gilreath, a lawyer for a group of Memphis drivers who filed suit against FedEx.

A California court decided last year that one category of contract drivers for FedEx Ground should be treated as company employees. FedEx has said it will appeal.

Court fights over the use of independent contractors are complicated, said Gary Johnson, whose Fort Wayne, Ind., law firm advises on labor matters. Companies can run into trouble, he said, when they try to categorize workers who should be on regular payrolls as temporary employees or independent contractors.

"The true independent contractor is the guy you hire to put a new roof on your house," he said. "You've hired him for a job to be done, and you exert very little control over how he does it."

FedEx cranked up its competition with UPS in 1998 when it bought several trucking operations, including RPS Inc., that later became FedEx Ground. RPS had relied on contract drivers since its creation in 1985. Drivers for UPS are company employees.