

**Statement**

of

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for the

**Chicagoland Chamber of Commerce**

and the

**Messenger Courier Association of the Americas**

before the

**Senate Governmental Affairs Committee**

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Mr. Chairman, members of the Committee, my home state of Illinois Senator, Richard Durbin, thank you for allowing me to testify today. My name is Phyllis Apelbaum and I am owner of Arrow Messenger Service in Chicago, Illinois. I am a member of the Chicagoland Area Chamber of Commerce and also President of the Messenger Courier Association of the Americas. The MCAA represents approximately 500 courier companies in the US and abroad. Most of these companies are small businesses and many are multigenerational family owned. In my brief remarks today I hope to tell you a little about the effects of high gas prices on small business owners in the Chicago area and throughout the courier industry.

Courier companies are not glamorous businesses, but we perform a vital role. As the agents for the same-day delivery business we deliver the nation's time critical shipments. We know full well that someone can pay 33 cents to mail a letter across town – or pay FedEx or UPS to deliver it in three days or overnight. But when it has to get there the same day they call us. We deliver critical documents, medical supplies, blood, machine parts, even organs for transplant. We even facilitate same-day cross country shipping.

The courier industry in Chicago and most major cities utilizes, contrary to the view you might get walking the streets of Washington DC, mostly cars, vans and light trucks to undertake deliveries. One of our major costs has always been fuel to keep our fleets in operation. We have always been conscious of gasoline prices and fuel efficiency.

As the Committee knows the rise in gas prices has been the highest and most destructive in the Chicago area. This rise in gas prices is not an abstract concern or a minor annoyance – we feel it

every day as we refuel our fleets. This is a problem that not only inconveniences vacationers who have many travel options – it is affecting our businesses in a very real and negative manner.

In Mid-May our drivers fueled the Arrow Messenger fleet of 110 vehicles for \$1.77 a gallon up from \$1.47 in January. Now we are paying \$2.24 or more a gallon in the Chicago area for regular grade gasoline. This increase is costing my business thousands of dollars a month and over \$35,000 since January. These figures are duplicated with other businesses throughout the greater Chicago area. We already employ complex dispatching software that allows us to do multiple pick up and deliveries on a single run. If there is a way to cut down on fuel costs and miles traveled we are already using it. Short of refusing to make deliveries there is little we can do to mitigate our fuel usage.

But it is not just couriers, the whole transportation sector in my area of the country has been especially hard hit. For example Chicago has 6,300 taxis and 15,000 drivers who are paying 30% more for gas and working an additional 2-4 hours per day to cover these increases. Multiply what the courier industry is going through by the entire transportation industry and you can see that millions, if not billions, of dollars is being drained out of the economy of the Mid-West. Crain's Chicago Business estimates that the gasoline price shock will cost the local economy 36,000 jobs over the coming year.

Gasoline is one of the largest costs for any courier business. As President of the Messenger Courier Association I have spoken with members from throughout the greater Chicago area. They echo what I know to be a fact – that the increase in gasoline prices is hurting and even disrupting their businesses. Until the gas price shock one of our toughest challenges was finding enough qualified drivers to make all the deliveries that our fast paced economy requires. After 40 years of working in the industry I can tell you there has never been a more difficult time to hire and retain drivers and we are struggling to keep our vehicles on the road - on top of that companies are having drivers quit on a daily basis rather than pay exorbitant fuel costs.

There has been a variety of responses to this crisis. Many of our companies have added fuel surcharges. This is done on either a percentage basis or a flat fee. Others are simply having to raise their basic rates. Most of the members report that the surcharges don't cover the lost revenue due to the gas price increases. So we have the dilemma of losing money to keep a client in the hopes that gas prices will fall or letting the client go and jeopardizing future business.

I have heard the theories put forth as to why this has happened – OPEC, environmental regulations, price gouging, SUVs – I will leave that up to the economists among us to decide. But I can tell you that the increases have hurt my family owned business and many small and emerging business in the Chicago area and throughout the country. I urge the Committee to continue its investigation into this matter and I strongly support the FTC investigation into price gouging.

The courier industry has faced many challenges over the past 20 years. First the fax machine was going to wipe us out – but we survived and grew, then came e-mail and we grew. Now with the passage of the Electronics Signatures Act we face having to again adapt. The industry as a whole will survive this challenge over higher gas prices as well. What we fear is that many individual good hardworking family run courier companies will be put out of business or greatly disrupted

by the gasoline price shocks. And eventually higher costs get passed along to consumers. This is the strongest economy that I have witnessed in my lifetime. Anything that jeopardizes this should be of the very highest concern to the members of Congress and the Administration.

I thank the committee for the opportunity to testify before you today. I would be happy to answer any questions you may have.