Douglas R. Kuelpman is Vice President of United Parcel Service (UPS) Airlines. His responsibilities include public affairs, public relations, government affairs, and economic development. Prior to that, he managed the Airlines’ Real Estate Department.

Mr. Kuelpman’s career includes a three-year stint as an engineering officer in the U.S. Navy, Airport Planner/Engineer with the FAA, Director of Marketing for Evergreen International Airlines, and Vice President of Marketing for Tracor, Inc. Mr. Kuelpman, who is a licensed pilot, earned his bachelor’s degree in transportation planning from the University of Washington in Seattle.

OPENING GENERAL SESSION
Monday, July 25, 1994

Douglas R. Kuelpman, Vice President
Public Affairs, UPS Airlines

ECONOMIC IMPACT TO INDUSTRY

The following is the text of a videotape entitled “WINTER STORM 1994” shown by Mr. Kuelpman:

WHAS-TV broadcast excerpts

“Well, everything out there is closed.”

“Saint Mary and Elizabeth Hospital needs help.”

“The mayor and the county judge both have declared a state of emergency.”

“The Interstates are terrible.”

“This is our heaviest single snowfall ever.”

“There is a sense of panic out there.”

George Kormanis, Plant Manager, Ford Ky. Truck Plant

The most significant effects relative to the operations of Ford Motor Company from the January snowfall were the closing of both the Kentucky Truck Plant and Louisville Assembly Plant for the entire week of January the 18th, or whatever it was. While closing those two plants was sort of understandable in terms of the problems that we would have had getting our people to come to work, the more significant effect on Ford Motor Company was the fact that plants outside of the Louisville area were forced to close as a result of not being able to transport materials
that are produced here in Kentucky that support those plants on a daily basis.

The negative publicity that the city, the county, and the state received as a result of this inability to clear the roads will have tremendous long-range effects. It will be very difficult for us to convince suppliers to come to Kentucky, to locate here, recognizing that they have to do business on a just-in-time basis, that every day material must come in and must go out. Snowfalls are not an excuse for not operating. The Ford Motor Company operates plants in Canada and in the northern extremes of the U.S.--shutting down for a week as a result of snow is just unheard of.

Greg Donaldson, Director of Corporate Communications, Humana Inc.

Twenty-one inches of snow closed Humana’s national headquarters, which is here in Louisville, but it also closed our national service center here in Louisville. The largest of our national claims processing centers is here. It was closed for a week. As a result we were unable to process insurance claims from across the country and, literally, we were processing that backlog until the end of March. It took months to catch up from the lost claims that we were unable to process when we got 21 inches of snow.

In addition, at our service center, we have a pre-admission authorization unit for Humana members nationally and those people who needed to get into the hospital or needed health care were unable to contact anyone at Humana. As a result we were forced to pay for any and all health care that they received and we suspect that that cost us a fair amount of money as well. Our telemarketing unit in the service center was unable to function and we lost sales. So, as a result, we had to pay for lost wages, we had to pay overtime to make up the difference over the course of several months, and it was very, very probably the most significant event of its kind to ever affect our company.

Greg Crowe, Manager of Louisville Distribution Center, Amgen Inc.

We were completely snowed out of our Louisville, Kentucky, facility. This was a double whammy for Amgen because our California facility had structural damage from the earthquake that happened on precisely the same morning, so it couldn’t have been any worse for us. Amgen’s contingency planning is such that each distribution center backs up the others. Once we realized we had the earthquake, our board of directors’ expectation was that the Louisville facility would be the backup. That wasn’t possible because I couldn’t get people into the facility. Even if I could have gotten people into the facility, UPS, our primary carrier, couldn’t get vehicles or personnel in to pick up the packages.

Dick Corp, Corporate Communications, Amgen Inc.

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Jim Williams, City Manager, Louisville, Kentucky.

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One thing that hit me while being at home watching TV, was watching the local government try to react as far as getting four-wheel drive vehicles to transport patients to hospitals. Amgen provides products to hospitals, wholesalers—our products are for very sick people such as cancer patients and kidney dialysis patients. I saw that the local government was moving people to hospitals, and I’m sitting at home thinking that if we can’t get into our facilities soon it won’t do any good to get the patients to the hospitals because the products, the drugs, won’t be there for them.

Jim Wilson, Plant Manager, DuPont

We have to have operators and mechanics here because we cannot stop the processes at any time and, when the snowfall hit, our biggest problem was getting people to the plant. We require people to stay here until relieved and some of our people were at the plant actually 48 hours before someone could come in. We were able to clear our own roads, our parking lot, and had the facility ready for people the next morning after the snowfall. Unfortunately the people who lived the closest, the people from Louisville, were not able to get here because their roads were not cleared.

If we try and stop our processes, we risk the release of hazardous materials—something we don’t want to do and certainly would violate state and federal laws if we did. We cannot afford to have a snowfall shut us down. More importantly, we can’t risk the lives and the health of the people around us because of a snowfall.

Dick Snider, Vice President for Corporate Affairs, Thornton Oil Corporation

Basically, the breakdown of the infrastructure not only cost us approximately a million and a half dollars of lost revenue from the motor fuel perspective, we also were losing many thousands of dollars just in terms of inside products that we could not get to customers until we were able to replenish ourselves through our own internal supply network that happened during that period of time. The infrastructure breakdown—that is the inability to clear the roads effectively and get the people and equipment moving—was very devastating to us and those dollars will never be able to be made back up.

John Beystehner, Airline Operations Manager, United Parcel Service

With the snowstorm and the road conditions, it was impossible for UPS to operate Monday and Tuesday nights when the storm hit Louisville. While we had the ability to bring aircraft in and the airport was open because of the combined efforts of UPS and the Regional Airport Authority, a good percentage of our volume still does flow into us by
ground. What's more critical to us though is that we employ over 7,000 people here in the air park and it was literally impossible for anyone to get to the air park to work. We did have a small core of people who remained here around the clock repairing our location for when we could resume operations. It wasn’t until Wednesday that we could resume a very small-scale operation and really not until Sunday, seven days later, that we really had our service back on track. It’s critical for UPS to be able to operate 24 hours a day, 7 days a week, and, for that to happen, we need our people here at work. It’s important that the roads remain clear not only for the movement of the volume of packages into UPS but also that our employees can come in. Our customers demand perfect service from us. We’re able to provide it through our people and we need our people at work.

Jim Allen, Manager, Community Affairs Communication, GE Appliances

We’re in the appliance business, which is fiercely competitive, and part of that competition means you’ve got to have high-quality products at the time the dealers are making orders and you’ve got to keep your costs down. Well, part of keeping costs down was no longer managing large inventories, so we don’t have a backlog of product. When we lose a week’s worth of production, we’re out of product for some time. The customers across America (meaning the dealers and the builders who need our products) are going to get that product somewhere. The bottom line for us was that we were literally forcing a number of our customers who were dealing with us, maybe exclusively, maybe to a large degree, to begin to deal with and develop relationships with our competition. It’s really hard to judge at what point in time that stops affecting us, what future sales were lost because we were in essence saying that we can’t supply you with the product, while somebody else stood up and said we can. Those relationships start to build, and who knows how long they last.

I recognize, and I’m sure everybody does, that those are extraordinary circumstances and they have to be dealt with. I’m pleased to see that so many people are very interested in figuring out a better way to deal with even the extraordinary circumstance, because if those extraordinary circumstances can’t be dealt with by all of us in a better fashion, we get an extra punishment when something like a snowstorm happens. And, that punishment is economic loss for this community and this state.

I think the solution to these problems means all of us pulling together—that is the message that I would give. It’s no one entity’s job to solve this problem but we’ve all got to solve the problem and we’ve all got to see to it when those extraordinary things happen that we get them quickly and effectively so we don’t pay that second price of an economic problem for so many of the corporations here and for the private citizens.