

FedEx deal pays state, drivers

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Package delivery company FedEx Ground has agreed to a settlement with state Attorney General Martha Coakley's office in which it will pay the state \$3 million in payroll and unemployment taxes, stemming from a dispute over alleged misclassification of drivers as independent contractors.

In addition to the \$3 million, 13 drivers named in the case will receive \$15,000 each, said Harry Pierre, spokesman for the attorney general's office. He said one of those drivers worked at the company's Northboro facility, but no further information was available.

The \$3 million figure is based on the unpaid taxes for about 260 drivers, Mr. Pierre said.

Pittsburgh-based FedEx Ground did not admit to any wrongdoing in the settlement

FedEx spokesman Maury Lane said the company will institute a new independent service provider model in Massachusetts that will allow independent delivery contractors to negotiate contracts with the company for specific delivery areas.

"We reached today's agreement to positively resolve these disputed claims and to continue to provide outstanding service to our customers in Massachusetts," he said.

The attorney general said the company had gained an unfair competitive advantage by classifying the drivers as independent contractors rather than employees. The agreement announced yesterday does not affect a private lawsuit against the company by drivers over being classified as independent contractors.

Boston lawyer Shannon Liss-Riordan sued FedEx five years ago in U.S. District Court, alleging that the company misclassified drivers as independent contractors rather than employees. That case was consolidated with more than 40 other similar cases in other states and is being heard in Indiana, she said.

"We're pleased that the attorney general's office recovered some money the Commonwealth lost out on," she said. "What we're really looking forward to is recovery for the drivers, for damages they have suffered due to FedEx misclassifying them as independent drivers."

She said the suit is seeking damages in the tens of millions of dollars, involving more than 600 drivers in the time the suit has been pending.

"We're pleased that these 13 drivers will get some minor remedy," she said of yesterday's settlement.

Ms. Liss-Riordan said that FedEx Ground drivers must purchase the trucks they make deliveries in, as well as the gasoline they use and uniforms they wear.

"At the end of the day the company saves massively on labor costs," she said. "FedEx shifts the costs to employees, while calling them independent contractors."

She said the company's plan to institute a new business model in negotiating contracts for drivers will violate the state's independent contractor laws.

"We've been in touch with the attorney general's office on this," she said. "The attorney general has not signed off on FedEx's new model, and we expect to challenge it."

Mr. Lane declined to respond to her statement.

