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TRANSPORTATION SECTOR FUEL EFFICIENCY

Committee on Energy & Natural Resources
United States Senate
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Mr. Chairman and Members of the Committee:

Thank you for your kind invitation to testify today on the important subject of improving efficiency in the transportation sector. I am here today to tell you it is urgently needed, imminently achievable and economically viable. Trucks alone consume more than 50 billion gallons of diesel fuel and gasoline and airlines consume approximately 20 billion gallons of fuel per year, thus the opportunities for fuel savings and environmental benefit are enormous.

I commend Chairman Bingaman and this committee for the attention to this very important subject – not only for the well-being of the nation’s energy and environmental resources but its economic and national security interests.

FedEx is part of the fabric of society – we operate in every community across the United States and serve more than 220 countries around the globe. In order to serve 95 percent of the world’s GDP in 24-48 hours, it takes a lot of fuel. In fiscal year 2006, FedEx Express consumed more than 1.3 billion gallons of fuel and thanks to some fuel saving initiatives, that figure is actually down 3 percent from the previous two years for vehicle fuels. But this is far from where we want to be.

A few years ago, FedEx embarked on a historic project with Environmental Defense to design and build a hybrid truck that would marry our very strict performance standards with extraordinary fuel saving and environmental benefits. The FedEx Express Opti-Fleet E700 hybrid electric vehicle – operated in several communities across the country, including Washington, DC – increases fuel economy by more than 40 percent while decreasing particulate emissions by 90 percent and green house gases by more than 25 percent. This shows that significant gains can be made now.

These 93 vehicles – which look identical from the outside to our standard FedEx pick up and delivery truck - have traveled more than 840,000 miles in revenue service. We would

like nothing more than to put more of these incredible vehicles on the road but they are very expensive.

The Opti-Fleet E700 costs up to twice as much as a standard pick up and delivery truck and while we embarked on this program with a rallying call for others in the transportation sector to get on board – very few companies have committed to the technology. And the main reason is cost.

As the Committee with jurisdiction over these issues, you have the opportunity to devise and instruct public policies that further drive improved transportation in the commercial sector. In the 2005 Energy Policy Act tax credits were made available for commercial hybrid vehicles, however, the Department of Treasury has yet to finalize the guidance for claiming the tax credits. I firmly believe that if incentives were available to help reduce the costs, more companies like FedEx would embrace the technology. If more companies embraced the technology, manufacturers would see the value, the competitive realities of the market would kick in and these vehicles could become a real alternative – much like what you've seen occur in the passenger car sector. Put simply, these short-term tax credits can help seed the development and adoption of this technology in the commercial vehicle market.

For example, if 10,000 hybrid electric commercial vehicles were on the road rather than standard commercial vehicles, substantial reductions in emissions and fuel use would occur annually:

- Smog-causing emissions of nitrogen oxides would be reduced by 1,700 tons annually—the equivalent of taking passenger cars off New York City roads for 25 days.
- Carbon dioxide emissions would be reduced by 83,000 tons annually—the equivalent to planting 2 million trees.
- Diesel fuel usage would be reduced by 7.2 million gallons, which requires 1 million barrels of crude oil to produce.

While trucks are an enormous component of our operation, we are taking strides in energy conservation and fuel savings in other areas:

- In August 2005, we opened California's then largest corporate solar electric system at the FedEx Express regional hub in Oakland. In the first year, it has provided more than 1 million kilowatt hours of renewable energy generated by sunlight thereby avoiding the release of 342 tons of carbon dioxide into the atmosphere – equivalent to 96 acres of forest saved or not driving for 850,000 miles.

- We are modernizing our aircraft fleet. Over the next 10 years we have plans to retire the Boeing 727s and replace them with more efficient 757s. The 757 is 20 percent larger but uses 36% less fuel.
- We are also adding the 777 freighter to our fleet for long-haul flights which will result in being able to carry more payload while burning 18% less fuel compared to the aircraft in today's fleet.

The nation's energy crisis and finding ways to reduce fuel consumption is so important to FedEx that our chairman, Frederick W. Smith, is co-chairing the Energy Security Leadership Council, an initiative of the nonpartisan organization Securing America's Future Energy (SAFE). I know the Council has met with this committee and has developed an ambitious set of policy recommendations toward reducing U.S. oil dependence. FedEx is very supportive of the call to raise energy efficiency in commercial vehicles, invest in alternative fuel sources and make changes in Air Traffic Control routings which would result in tremendous savings in jet fuel annually.

Recommendations:

- The Committee should instruct the Department of Treasury to finalize guidance for hybrid electric commercial vehicle tax credits under 2005's Energy Policy Act. Because nearly two years have lapsed these tax credits should be retroactive and be extended to 2012.
- Set fuel efficiency standards annually for medium and heavy-duty vehicles. This would help stimulate the production of hybrid electrics within the medium-duty vehicle sector, such as our pickup and delivery fleet, (Classes 3 through 6) and alternatives for improved fuel efficiency in the heavy-duty vehicles.
- Increase allowable weight to 97,000 lbs. gross vehicle weight for tractor-trailer trucks that have a supplementary sixth axle to improve payload while not compromising safety.
- Allow the Federal Aviation Administration (FAA) to implement improvements within commercial air traffic routing in order to improve aviation efficiencies and reduce fuel consumption.
- Provide increased funding to the NASA for the research and development of new aviation engine technologies that will reduce emissions, noise and increase fuel efficiency.

Thank you for the opportunity to come before this esteemed committee. I am happy to answer any questions.