

**United States Senate Subcommittee on Surface Transportation and
Merchant Marine Infrastructure, Safety and Security
Testimony of Michael L. Ducker
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Chairman Fischer, Ranking Member Booker, and members of the Subcommittee, thank you for inviting me to testify before you today.

I know that you all understand the critical importance of the freight transportation system in today's cost- and time-driven economy, particularly in this era of explosive e-commerce growth and increasing digital connectivity. Every day we are all reminded of the unfortunate state of disrepair of our nation's highways and bridges, as well as the lost productivity for businesses and individuals caused by traffic congestion.

The nation's freight network continues to experience strain. Our nation's transportation system moved 18.1 billion tons of goods, worth \$19.2 trillion in 2015, according to a Bureau of Transportation Statistics document titled "DOT Released 30-year Freight projection" (March 2016). The U.S. Department of Transportation projects that freight volume will increase by 45% by 2045.

In order to address these challenges, we must work together on policy and solutions that will modernize our surface transportation system and drive our economy forward. Infrastructure investment cannot be limited to road and bridge improvements. A holistic modern transportation system needs to be established combining physical and digital infrastructure enhancements with sound transportation policies, including incentives for improved safety and fuel efficiency. And,

of course, stable and sustainable sources of funding for the Highway Trust Fund will be essential for success.

FEDEX OPERATIONS

At FedEx, we are an engine for job and economic growth. Through our group of transportation companies with more than 400,000 team members worldwide, we utilize all major modes of transportation to serve our customers.

- Our FedEx Express air-ground system is a global network, offering time-definite air express, ground and freight shipping within the U.S. as well as linking the American economy to 99 percent of the world's GDP.
- Our FedEx Freight and FedEx Ground networks use both road and rail for our business-to-business as well as business-to-consumer services, which are essential in these days of Internet shopping.
- Our FedEx Trade Networks business provides freight forwarding services around the world, combining ocean shipping options with air and ground tailored to meet the varying needs of our customers.

Intermodality allows transportation services to be offered to American customers in the most efficient way, providing transport services that vary as to speed, price and mode. A critical component of intermodality is the nation's surface transportation system, which is our focus today. So, I want to give you a bit more perspective on the surface transportation company for which I am the CEO: FedEx Freight, our less-than-truckload operating company.

FedEx Freight includes 40,000 team members and operates more than 20,000 vehicles from 370 service center locations that collectively transport, on average, more than 100,000 daily shipments. To give you a few more numbers about the size and scope of our LTL operation:

- FedEx Freight road and city operations, along with our purchased transportation motor and rail use, total more than 5 million average daily miles traveled.

- This highly engineered network moves on average more than 250 million pounds in daily loaded weight.

FedEx Freight, along with other transportation and logistics companies, pumps the lifeblood of commerce, transporting goods from manufacturers, warehouses and retailers to business end-users and consumers. Without improved surface infrastructure and wise policy decisions from Washington, FedEx and other companies cannot continue to help grow the U.S. economy and increase jobs. The need for significant investment in our infrastructure has never been more critical.

INTERSTATE ROAD SYSTEM

The building of the U.S. interstate highways fundamentally changed our country and the way we work together as Americans. It took 17 years to create and fund the idea of the interstate, beginning with a 1939 Report to Congress and culminating with President Eisenhower signing the Federal-Aid Highway Act of 1956.

Our interstate system is now over 60 years of age and it is in desperate need of updating. We need both short and long term investment. Short term, we must stop the deterioration in many interstate roads and bridges that have long suffered from neglect. Long term we need a plan to modernize, improve, and expand the entire system.

Currently, more than 40 percent of major U.S. highways in urban areas are congested. On average, a typical American commuter loses 34 hours sitting in traffic each year. According to the American Society of Civil Engineers (ASCE), over 30 percent of U.S. interstates are in poor or mediocre condition. These substandard roads result in drivers' paying \$67 billion, or

\$324 per motorist, annually in vehicle repairs and operating costs. The ASCE rates U.S. roads 19th in the world, behind Namibia.

Left unaddressed, future demand will continue to challenge our bridges and roads for years to come. As previously mentioned, the U.S. Department of Transportation projects that by 2045 freight volume will increase by 45% and currently there are 20 new proposed interstate highway segments. The expected volume growth will add even more pressure on freight bottlenecks throughout the country and further hamper the performance of our highway system and the transportation industry alike by adding delays to truck freight. We must build this modern interstate highway system, as the current situation can no longer be tolerated.

Along with the American Trucking Associations, FedEx supports federal investment in highways primarily funded by user fees. The trucking industry – which currently pays more than 40 percent of federal highway user fee revenue – supports an increase in highway user fee payments if they perceive value in the form of road and bridge improvements from the expenditures. The sources of revenue should:

- be easy and inexpensive to pay and collect;
- have a low evasion rate;
- be tied to highway use; and
- avoid creating impediments to interstate commerce.

We must identify revenue sources that provide sufficient long-term funding for the Highway Trust Fund. We must recognize that due to changes in vehicle technologies, fuel taxes cannot alone fund the system. Alternative vehicles such as electric and natural gas need to also pay a user fee. This can now be easily done through technology. Consequently, FedEx supports a broad mix of revenue sources in order to avoid over-reliance on a single option. The recent, bipartisan effort to adequately fund the Inland Waterways Trust Fund can serve as an example.

INCREASE FREIGHT PROGRAM FUNDING

The FAST Act created a new National Highway Freight Program to provide funds across all states for needed highway-specific freight improvements, but only funded it at about \$1.24 billion a year. The legislation also created a new Nationally Significant Freight & Highway Projects Program, funded at \$900 million per year distributed to every state by formula. Any infrastructure package moved through Congress going forward needs to significantly increase funding for FAST Act freight programs so states will have sufficient funding to begin addressing their needs over the remaining years of that legislation.

NATIONAL UNIFORMITY IN AREAS OF INNOVATION

With the explosive growth of e-commerce, the nation's supply chains are quickly adapting to American consumers' expectation of fast and efficient delivery of consumer products. Supply-chain programs are moving from an inventory-based "manufacture-to-supply" model to a "manufacture-to-order" model. Emerging technologies such as vehicle-to-vehicle and vehicle-to-infrastructure communications and autonomous vehicles need to have a transportation and digital infrastructure able to allow innovations that drive productivity and results toward maximizing the efficiency of transportation networks.

New technological advancements are changing the way we look and think about our transportation needs. These technological advancements must be factored into what kind of infrastructure we need now in the 21st Century. It is critical the U.S. have policies that encourage national uniformity in areas of innovation as we advance into the next century. A good example is in the area of autonomous vehicles.

The National Highway Traffic Safety Administration (“NHTSA”) recently issued the Federal Automated Vehicles Policy, the first Federal policy on automated vehicles. Focused on “highly automated vehicles” (HAV), the guidelines show that the Federal government sees automated car technology as a safer alternative to cars driven by humans. Importantly, the NHTSA establishes a Model state policy. The model policy seeks to promote consistency in state autonomous vehicle regulations. It allows a manufacturer to focus on developing a single HAV fleet, rather than 50 different versions to meet individual state requirements. Because State regulations vary widely, a lack of national uniformity creates difficult issues for manufacturers and service providers.

FedEx supports federal efforts to encourage national uniformity as innovation offers solutions for our transportation needs. However, federal guidelines need to be reasonable and flexible with respect to technology developments, and not become overly restrictive, in order to allow technology to grow without hindering advances. If guidelines err too much on the side of caution, or are too broadly or indiscriminately applied, it could slow innovative solutions necessary to overcome the nation’s transportation challenges.

MODERNIZATION

Given the state of our country’s current infrastructure and the projected growth in freight volumes, FedEx supports the modernization of trucking equipment standards. FedEx is part of *Americans for Modern Transportation (AMT)*, a diverse group of American shippers, deliverers, and retailers working to improve transportation infrastructure and policy. Fast, safe, and reliable shipping needs to be a top priority in building an American economy geared for the future. We

can make smarter, more effective use of existing infrastructure now, while also leveraging technologies and solutions that bring about greater safety and efficiency.

Around 70% of all U.S. domestic freight tonnage moves by truck – that is 10.5 billion tons of freight. As transportation demand has increased over the years, equipment standards for other transportation modes have adjusted to accommodate the increased capacity – such as rail utilizing double-stacked containers.

Less-than-truckload (LTL) carriers, including FedEx Freight, rely primarily on twin trailers to haul freight. In 1982, Congress fixed a standard of 28 feet for twin trailers that States must allow on their highways. Capacity expansion has not been adjusted for over two and a half decades due to the federal government freeze on truck size and weight under the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA).

FedEx and AMT strongly support increasing the national standard for twin trailers from 28 feet to 33 feet. The adoption of a 33-foot twin trailer standard would allow a carrier, on any given lane, to increase the volume carried up to 18.6% before having to add incremental trips. Importantly, 33-foot twin trailers would be subject to the same federal law that applies to 28-foot twin trailers today, which limits their operation to the National Highway System (NHS) and gives states wide discretion to determine the appropriate segments of the NHS on which the equipment can safely operate. Additionally, this solution requires no increase in the federal gross vehicle weight limit of 80,000 lbs., and therefore, it would not increase wear-and-tear on the highway system. In fact, with fewer truck trips, there would be less stress on the road system. According to a 2015 U.S. DOT study, if a national standard of 33-foot twin trailers had been widely adopted in 2014, it could have already resulted in over 3 billion fewer miles

traveled, saved \$2.6 billion dollars in operational costs for the LTL industry and provided congestion-relief savings for all motorists of nearly \$1 billion.

Fewer trucks on the road also means significant saving on fuel and emissions. By increasing the length of twin trailers by just five feet, fuel consumption is reduced by 255 million gallons every year, with a concomitant annual reduction of 2.9 million tons of CO2 emissions.

Most importantly, studies have shown 33-foot twin trailers are stable and safe. They perform equal to or better than current 28-foot trailer combinations in four critical safety measurements: static rollover threshold, rearward amplification, load transfer ratio, and high speed transient off tracking. FedEx and other trucking companies have been operating 33-foot twin trailers for years in states like Florida. Our drivers tell us repeatedly they find them to be more stable than 28s. In addition to improved stability with the 33-foot trailers, safety would be enhanced by simply reducing the number of truck trips and miles driven.

FEDEX FREIGHT SAFETY INVESTMENT

FedEx Freight has long been at the leading edge of safety innovation and technology in the LTL industry and has an industry-leading safety record. The following advanced safety systems are currently deployed on 80% of our road fleet: Collision Warning/Collision Mitigation, Lane Departure Warning, and Roll Stability. Our road fleet will be 100% equipped with these systems by June 2018.

In addition, our entire fleet is equipped with electronic speed limiters, which limit our vehicles to speeds of 65 mph or less. Approximately 87% of our fleet now has the latest telematics, cameras and electronic logging device systems installed and operational. That

number will soon be 100%, well ahead of the December 2017 compliance date. FedEx Freight is leading the industry on implementation of these safety technologies, and we support an FMCSA rule mandating that proven safety systems be in all commercial motor vehicles.

CONCLUSION

The time is now to modernize our country's transportation infrastructure. Freight volumes and roadway congestion are increasing. Continued private sector investment in updated safety and efficiency technologies should be complemented with federal and state policies that support long-term transportation funding and innovation. Collaboration and sustained commitment to modernization will be vital to ensuring a reliable transportation system for American consumers, businesses and the growing e-commerce marketplace.