

United States Senate
Committee on Commerce, Science and Transportation

Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety,
and Security

Hearing on “Rebuilding the Nation’s Infrastructure:
Leveraging Innovative Financing to Supplement Federal Investment”

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“Building a 21st Century Transportation Infrastructure”

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Chairman Warner, Ranking Member Blunt, and members of the Subcommittee, thank you for the opportunity to testify. At UPS, we deliver using every mode of transportation, so we can offer a broad perspective on ways to improve and fund America’s transportation infrastructure.

UPS Operates in Every Transportation Mode

Each day at UPS, we deliver 16.3 million packages to 8.8 million customers. We serve every address in North America, and we operate in more than 220 countries and territories. It is estimated that, at any given time, the economic value of the goods and services moving in the UPS supply chain equates to 6% of our country’s Gross Domestic Product, and 2% of global GDP. Our delivery fleet includes more than 96,000 commercial vehicles, which travelled more than 2.3 Billion miles on American roads and highways last year. We operate one of the largest airlines in the world with more than 560 owned and leased aircraft. Every year, we move 500,000 TEUs (containers) via UPS Ocean Freight Services. And, we are one of the largest customers of America’s freight railroads, moving 3,000 trailers and containers by intermodal rail every day. With that kind of volume and the breadth of our multi-modal network, finding ways to eliminate bottlenecks is essential for us.

The Costs of Congestion

Congestion and inefficiency impose real costs on our company, our customers, and America’s competitiveness. For example, if every UPS delivery vehicle is delayed just 5 minutes each day, it would cost UPS an additional \$105 million in operating costs annually.

The Texas Transportation Institute found that congestion cost the U.S. economy \$121 billion in 2011. In today's just-in-time manufacturing environment, delays in the flow of inputs and finished products make American companies less competitive and eventually force consumers to pay higher prices. Until our infrastructure is modernized, America's economy will fall short of its full potential.

That's why UPS supports a strong federal role in transportation policy to ensure coordination and national focus. For example, MAP-21 included a "focus on freight," and we encourage a greater commitment to that idea in the next Surface Transportation Bill, along with a larger investment in projects of national and regional significance.

21st Century Transportation Infrastructure

Overall, what does 21st Century infrastructure look like? It provides sufficient capacity, runs seamlessly across modes, and is adequately funded today and into the future.

1. Sufficient Capacity

It starts with having sufficient capacity to meet the needs of all users. According to the American Trucking Associations, domestic freight demand will double by 2050, and truck freight demand will increase by 25% in just the next 12 years. America's capacity must keep pace with the rising demand.

2. Seamless Connections

Second, a modern infrastructure includes seamless connections between modes. Over the years, America's transportation system has been built mode-by-mode in silos. It's a patchwork. What we need is a network – a seamless system where freight can move between modes by the most efficient and economical path. At UPS, we shift packages between trucks, rail, seaports and airports to find the most efficient, economical, and environmentally friendly route. When those intermodal connections are backed up, it hurts our customers and our country's productivity, so improving the connections between modes is critical.

3. Adequate Funding

And finally, our transportation infrastructure must be adequately funded. At UPS, we believe every funding option should be examined. Specifically, we believe that existing user fees should be increased, and new user fees should be considered as long as they are dedicated solely to transportation.

For example, we favor increasing the federal fuel tax, indexing it to inflation, and dedicating the revenue exclusively to the Highway Trust Fund. Not many companies will stand up and say, "Tax us more for the transportation infrastructure we rely on." But that's exactly what UPS is saying -- as long as the funding is not diverted to other uses. We want to be part of the solution, and we're willing to do our part.

Further, we believe a tax on “Vehicles Mile Traveled” (VMT) should be considered.

This Subcommittee is studying an Infrastructure Financing Authority, an idea we are open to exploring. So far, we have withheld judgment because, as always, the devil is in the details. We would look for dedicated funding to improve the flow of goods, such as projects that address highway infrastructure, freight rail fluidity, air traffic management, seaport connectivity, and related challenges.

Some have suggested adding tolls on interstate highways. It’s an approach that concerns us. New tolls could divert vehicles onto roads that are not designed to safely handle increased freight traffic. If Congress wants to pursue tolling, we would encourage it for new highway capacity, where the toll lanes are optional.

So, in our view, sufficient capacity, seamless connectivity and adequate funding should be important goals of the next highway bill.

Strengthening America’s Global Competitiveness

Finally, it’s worth remembering that 95 percent of the world’s consumers are outside America’s borders. The more we can do to sell to them, the stronger our economy will be. That’s why UPS supports negotiations on the: Trans-Pacific Partnership (T.P.P.), the Trade and International Services Agreement (T.I.S.A.), and the Transatlantic Trade and Investment Partnership (TTIP). Congress should also address the barriers that freight faces “at and behind the border,” with particular focus on customs modernization.

In closing, we believe the Subcommittee has a unique opportunity to improve freight capacity, connectivity and funding, and we look forward to working with you throughout the legislative process.

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