FREIGHT LOGISTICS: THE ROAD AHEAD AS SEEN BY THE USERS OF THE HIGHWAY SYSTEM

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BEFORE THE

SUBCOMMITTEE ON
HIGHWAYS, TRANSIT AND PIPELINES

OF THE

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TRANSPORTATION AND
INFRASTRUCTURE
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CONTENTS

TESTIMONY

	Page
Duncan, Douglas G., President, Chief Executive Officer, FedEx Freight	3
Lofgren, Chris, President, Chief Executive Officer, Schneider National	3
Yatsko, Tim, Senior Vice President, Transportation, Wal-Mart Stores, Inc.	3

PREPARED STATEMENTS SUBMITTED BY MEMBERS OF CONGRESS

Carnahan, Hon. Russ, of Missouri	26
Porter, Hon. Jon of Nevada	46

PREPARED STATEMENTS SUBMITTED BY WITNESSES

Duncan, Douglas G	27
Lofgren, Chris	31
Yatsko, Tim	47

FREIGHT LOGISTICS: THE ROAD AHEAD AS SEEN BY THE USERS OF THE HIGHWAY SYSTEM

Thursday, September 7, 2006

HOUSE OF REPRESENTATIVES, COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE, SUBCOMMITTEE ON HIGHWAYS, TRANSIT AND PIPELINES, WASHINGTON, D.C.

The subcommittee met, pursuant to call, at 10:00 a.m., in Room 2167, Rayburn House Office Building, the Honorable Thomas E. Petri [chairman of the subcommittee] presiding.

Mr. PETRI. Good morning. The Subcommittee hearing will come to order. My colleague, the senior Democrat on the Subcommittee, Mr. DeFazio, is on his way, and I know a number of other members have been at a meeting that started at 9 this morning and has just concluded and will be here shortly as well.

I would like to welcome our witnesses to today's hearing on "Freight Logistics: The Road Ahead as Seen by the Users of the Highway System." This is the second in a series of hearings on freight mobility. Our first hearing in this series, titled "Highway Capacity and Freight Mobility: The Current Status and Future Challenges," was held in May. Before the end of this year, we hope to hold a third hearing in this series which will address the role of technology in improving mobility.

Logistics can be defined as the overall management of the way resources are moved to the areas where they are required.

Logistics as a business concept evolved in the 1950s as the days of fully integrated regional economies began to disappear and businesses began to take a more global approach. Today, manufacturers and retailers demand raw materials and finished goods on a global scale, and hope to serve a global market with their respective products and services.

In addition to global supply chains, businesses are cutting costs and increasing productivity by adopting "just in time" inventory strategies. Businesses from automobile manufacturers to big box retailers are eliminating warehouses and relying on computerized inventory systems so that parts arrive when they are ready to be used and products arrive to replace the ones sold the day before.

Without an extensive and reliable freight transportation network of trucks, railroads, pipelines, airplanes, and boats, businesses would not be able to incorporate global supply chains and "just in time" inventory strategies into their business models. Or, if they did, they would be much less cost effective because of the inefficien-

cies that would be forced on them by an inadequate transportation system.

Freight congestion problems have a direct impact on businesses that employ "just in time" inventory strategies and global supply chains. Predictability in shipping freight is the cornerstone in both of these business strategies. The reliability of our Nation's transportation system has a direct impact on the productivity and, therefore, the competitiveness of our economy.

We are very fortunate to have three senior executives from companies that rely heavily on freight logistics and are directly impacted by the reliability of the transportation system. First witness, Mr. Chris Lofgren, is the President and CEO of Schneider National. Schneider is headquartered in my home State, and we are very proud of it. My interactions with Schneider over the years and my conversations with Mr. Lofgren about freight logistics have convinced me of the direct correlation between an efficient transportation system and a profitable freight logistics business model.

Second witness is Mr. Douglas Duncan, who is the President and CEO of FedEx Freight. Mr. Duncan is a 30-year veteran of the transportation industry and has been on the executive committees of the American Trucking Association and the Transportation Research Board, and is considered an expert in the field of transportation logistics. We thank you for being here.

Third witness is Mr. Tim Yatsko, the Senior Vice President of Transportation for Wal-Mart. He began his career with Wal-Mart in 1990 and has served in various positions in the private truck fleet division. As Senior Vice President of Transportation for the world's largest retailer, he is responsible for product movement from suppliers to Wal-Mart distribution centers and product movement from distribution centers to stores.

I look forward to hearing the testimony of all of our witnesses and yield to Mr. DeFazio for his opening statement.

Mr. DEFAZIO. Thank you, Mr. Chairman.

Mr. Chairman, I look forward to hearing from the witnesses. Obviously, the capability of moving freight in a timely manner, cost-effectively and, hopefully, fuel-effectively is of critical importance. As the Chairman is aware, I am very interested in the idea of least cost planning for transportation infrastructure; that is, we look at the modes available and decide where and how to best enhance the movement.

Particularly on the West Coast I think we could be better utilizing rail and mixing that with the truck movements. I would be interested in any ideas that can be contributed by the panel on that approach. It is an ongoing frustration for manufacturers in my district that they are held hostage to a very inefficient rail system and often have to move to truck when they know it is not as cost-effective.

Thank you, Mr. Chairman. I look forward to the testimony.

Mr. PETRI. Thank you.

Any other opening statements? Ms. Berkley?

Ms. BERKLEY. Thank you, Mr. Chairman, and thank you for holding what I consider a very important hearing.

I represent an area in the Country that is especially dependent on highway capacity for the movement of freight. As the fast grow-

ing area in the Country, Southern Nevada faces serious challenges in maintaining and expanding the network of roadways to enable the efficient transport of goods to and from the Southern Nevada-Las Vegas area.

Anyone who has ever been to Las Vegas and tried to negotiate their way through the spaghetti bowl or waited in a taxi cab at a parking lot, otherwise known as I-15, during rush hour can understand that these same traffic issues also confront shipping companies and their clients as they struggle to keep up with the increased demand caused by the area's explosive growth, which does not seem to be slowing down in the foreseeable future.

I have stated many times how proud I am to serve on this Committee, which has taken such an active role in modernizing our Nation's transportation infrastructure, and in Southern Nevada in particular the miles of roads and highways and freeways and overpasses that we are currently constructing is truly awesome.

I look forward to hearing from the witnesses about the challenges they face in freight logistics and what we can do to make your lives easier, as well as the lives of my constituents and our fellow countrymen. Thank you very much.

Mr. PETRI. Thank you.

We want to first of all thank each of the witnesses for your prepared statements. They will be very helpful and, as you know, they are a permanent record and will be available publicly and will be a resource for hopefully a variety of people who are interested in this field. And you build things one brick at a time, and these are important bricks, so we thank you for the effort that went into your statements and invite you to give us a summary in approximately five minutes, beginning with Mr. Lofgren.

TESTIMONY OF CHRIS LOFGREN, PRESIDENT, CHIEF EXECUTIVE OFFICER, SCHNEIDER NATIONAL; DOUGLAS G. DUNCAN, PRESIDENT, CHIEF EXECUTIVE OFFICER, FEDEX FREIGHT; TIM YATSKO, SENIOR VICE PRESIDENT, TRANSPORTATION, WAL-MART STORES, INC.

Mr. LOFGREN. I want to thank the Committee for giving Schneider National and me the opportunity to come and participate in this.

I think that I have to start my summary comments by just pointing out that since 1980s, with some major changes in the industry, part of what has driven the power and economy in the United States has been the transportation industry. In that time, transportation as a percentage of gross domestic product has reduced significantly, and it has been brought about certainly by the deregulation efforts, but also by the response of those entrepreneurs who were willing to set out in that environment and really create an infrastructure to move the goods of this Country.

As we have seen in the last five years, there has been inflationary pressures on all aspects of the transportation industry. And our lead in the world in the area of logistics in transportation is being eroded while other countries continue to move forward, and I think it is a fact that is often not understood and probably needs to move a little bit higher on the agenda because it is going to become more

and more of a pressing issue that ultimately does affect the standard of living in this Country.

The two issues, in addition to what is in the written comments, that I would like to spend some time on is just the reality of how we are going to fund the infrastructure needs going forward. The first is that there has been a shifting of the tax burden onto trucks. The fact is that passenger miles make up 95 percent of the vehicle miles traveled on this infrastructure.

For Class 8 trucks, it is less than 5 percent of that total and yet, as we see, the fuel efficiency that is coming about in a lot of those passenger vehicles through hybrids and those kinds of things, the burden of carrying that is falling on the fuel tax and, frankly, a lot of the burden has been pushed back on clean air and environmental requirements back onto the trucking industry. So there really is a disproportionate burden that is being pushed back on.

Now, clearly, we look at that and we would like it to be less. We understand that there are those requirements, but I think there is another thing that happens: the structure of the Federal excise tax actually puts disincentives in place, whether it is on environmental issues or whether it is on safety issues. Any investments that we make to enhance those kinds of activities and put more capacity on the road is taxed at 12 percent. So, fundamentally, the structure doesn't incent, I think, the very things that we all would like to see happen, and we have got plenty of examples in the written testimony.

The other thing that I think is really a crucial issue—and Wisconsin is sort of a poster child, I think, for this—is that the taxes that are going in, whether it is the fuel tax, don't ultimately stay in a highway fund. You can look at tolls; same kinds of things. But if you look at how those funds actually become diverted back into the general funds of States, increasing taxes to try to meet this infrastructure need isn't working.

So addressing the integrity issue on these transportation trust funds is vital in order to solve this problem, and our position is, we understand that the current funds that are coming in probably don't cover what it is we need as a Country. The problem is those dollars don't go to ultimately provide the solutions to this capacity issue because of the diversion.

So I would encourage your efforts to bring integrity to that process, and then once we understand what dollars really are available for transportation, and not those things diverted for bike paths and things like that, but the ability to move freight, once we understand what really is available and what the gap is, I think there is probably a way to work through it.

But that is our biggest issue. As you continue to tax, what is going to happen is we are going to move it to our customers—Wal-Mart being our largest—because it is a cost that we must recover. It is ultimately a cost that shows up in the landed cost of goods which consumers in the United States are going to have to bear the burden of, and right now I don't believe the process is working as well as anybody would like it.

So those would be kind of my two summaries around the topic, and I look forward to any questions.

Mr. PETRI. Thank you very much.

Mr. Duncan.

Mr. DUNCAN. Thank you very much for the opportunity to make my comments to this Committee on what we consider to be a very important subject.

I think it is clear, if you look in this Country, that the logistics professionals at companies large and small have done a wonderful job of executing what I call fast-cycle logistics, but it has many names, like just in time inventory, quick response, fast response. Every industry has a different term for it.

But it basically starts with logistics professionals managing the supply chain holistically, from start to finish, and what they have successfully done is compress those supply chains, taking inventory out. As Chris said, we have reduced logistics as a percent of GDP for the last 20 years. Inventory to sales ratios have dropped over the last decade and these fast cycle supply chains have put tremendous pressure on the transportation providers to provide absolutely on-time transportation, because a shipment that I deliver late is no longer an asterisk on a service report to a customer, it is an empty shelf, it is a lost sale, it is an upset customer because, as you said in your opening remarks, the inventory is riding up and down the highways on our trucks, and it has to be delivered just in time.

And I think the reality is that the congestion and the bottlenecks in today's infrastructure is creating a bigger and bigger challenge for us every day to make those on-time deliveries. So if we are going to see the continued improvements in logistics that made our American companies much more competitive, we have got to figure out a way to continue to support this on-time transportation network.

I don't believe that the highway system or the transportation network that we have in place today really adequately meets the needs of today, and it certainly doesn't meet the needs when you look forward into the future.

Now, I agree with Mr. DeFazio. It would be easy for me that, from a trucking perspective, more highways is the answer, but I think the answer is far more complex than that. I think we have to approach this from a national transportation policy and look at better highways and more productive highways, better and more use of rail, ports, dams, and the transit system. I mean, it has to be worked in cooperation, because if we can increase the transit system and reduce the inflow of new automobiles to the highways, that reduces a requirement for more highways for commercial traffic.

The port system, obviously we are going to have to expand the port system to support the ever influx supply of imports and containers, but also, just as we improve the ports, we have got to improve the connectivity of highways and rails to those ports. It does no good to get the containers on the ground in the Port of Long Beach if they can't be moved expeditiously throughout the Country for those "just in time" deliveries.

I also mentioned the dams, the lock and dam system. And that is not something that you normally hear talked about in a "just in time" quick response system. But imagine, if you will, if you had a major failure of a lock and dam system in the Mississippi River. The amount of commerce that would be diverted to rail and high-

way would overpower the system. So it is an integrated logistics transportation network, and I think the solution we are going to find is going to be all of that, and not just one silver bullet.

The issue of funding obviously is an important one because we are going to have to invest in this. I don't think the highway bill that was passed in 2005 will probably just barely maintain our existing highways; it certainly won't expand it. So we have got to find new ways to raise revenue for infrastructure.

We are being an advocate of the fuel tax because it is in place. It is an efficient way to raise dollars that can put those dollar-for-dollar to infrastructure needs if it is controlled, as Chris indicated. I am afraid the horse might be out of the barn on that one. And tolls seem to be the way to go about it. And I am okay with that as long as we can control it, but the funding by State and then controlled on a national transportation policy seems to me to be a very difficult thing to administer. There has also been the advent of highway privatization, which I think is a new form of bringing new money to the infrastructure problem. And, again, with proper control, that might be a good solution as well.

So I would say, in closing, I think it is our job in industry to make the case for this infrastructure expansion. I think the research is clear from a number of bodies of what the future looks like. I think we can model what the future commerce is going to be, and I think we can come up with good solutions to a call to action to find solutions to those problems, and we really need to get started on it sooner rather than later.

And, with that, I will defer and look forward to your questions.

Mr. PETRI. Thank you.

I think Mr. Boozman wanted to say a word.

Mr. BOOZMAN. Well, thank you, Mr. Chairman. I would like to take the opportunity to formally introduce Tim Yatsko, our next person that is going to testify, Senior Vice President of Transportation for Wal-Mart. I am really proud that Wal-Mart is headquartered in my district, in the growing city of Bentonville, Arkansas. I live in the community adjacent, in Rogers, Arkansas, which is still the larger community. It and Bentonville are rapidly becoming one community.

In addition to being the world's largest retailer, employing 1.8 million associates worldwide, they also own the largest private truck fleet, with approximately 8,000 drivers, 7,000 tractors. Wal-Mart is one of the largest users of our highway system and they are truly experts in the logistics industry.

I am glad that Tim is here today to share Wal-Mart's knowledge and experience with the Subcommittee. Tim has been with Wal-Mart since 1990, serving in various positions in the private truck fleet and direct imports department. Currently, as Senior Vice President of Transportation, Tim is responsible for product movement from supplies to Wal-Mart distribution centers and product movement from distribution centers to stores. Prior to joining Wal-Mart, he worked as a sales rep for Cisco and served as a captain in the U.S. Army. So it really is with pleasure that he is here.

I also am so pleased that Mr. Duncan is here. And Mr. Duncan, in his capacity at FedEx, has a large distribution center also in my district. And I will tell you, FedEx does a tremendous job of moving

supplies and things, but also I can tell you firsthand that when they are in a community, when they are in a State, they are a tremendous partner, and we really do appreciate, besides the tremendous things that you do as a business, like I say, we really do appreciate your community spirit and all that you do for communities and States.

Thank you, Mr. Chairman.

Mr. YATSKO. Thank you, Mr. Petri and Ranking Member DeFazio and distinguished members of the Committee.

Wal-Mart Stores appreciates the opportunity to participate in this critical discussion. While I agree with Chris and Doug, I would like to approach this a little differently from Wal-Mart's perspective. We deal with the congestion on the roads and we make adjustments and contingencies to deal with that through the years, so we don't think as much about what it costs, Chris, as much as what do we do to get the freight to the stores and keep the customers in stock. So I would like to share that perspective with you.

Wal-Mart's logistics network includes 117 distribution centers, ranging from 800,000 square feet to over 4 million square feet, and these distribution centers service all of our regional grocery, fashion, specialty, and Sam's Club needs. As we increase the number of stores, we have to increase the efficiency of those DCs, as well as the number of the DCs that we have.

As Congressman Boozman mentioned, Wal-Mart utilizes both a private truck fleet and third-party carriers such as Schneider and FedEx Freight to move our product. Further, we utilize a wide array of transportation modes, including dry and refrigerated trucks, intermodal rail, LTL, and other motor carrier modes of transportation.

Each year, inbound to our distribution centers we move 1.3 million loads on our truck fleet and we bring back 1.4 million other loads, using 160 different third-party carriers. A half a million loads move on LTL motor carriers and 350,000 loads move to our Sam's Clubs each year. Sixty-nine percent of our total loads move on truck, 20 percent by LTL, 7 percent by small package carriers, and 2 percent by ocean freight.

Our strategy is driven by our corporate strategy, which is to drive international growth, broaden our appeal to our customers, become an even better place to work, and improve our operations and efficiency, while making unique contributions to the community.

The key focus of our transportation strategy is efficiency, and we take many steps in order to maintain logistics efficiency throughout the year. We choose channels that are most cost-efficient and reliable, and, as a rule, we believe cost-efficient, reliable supply chains are also the most environmentally friendly. We avoid transportation congestion risks by maintaining multiple channels on the flow of our goods to our stores.

Regardless of what occurs in the transportation environment, our transportation goals remain constant. We strive to remain a safe fleet, secure fleet, efficient and environmentally friendly fleet.

A key element of our efficiency focus is "just in time" delivery and improving our driver/truck productivity. This is particularly challenging in congested Metro areas. As a transportation organi-

zation, Wal-Mart has successfully dealt with congestion for years. We innovate and work around congestion, but there are learnings there.

Some of our methods to mitigate congestion and maintain truck/driver productivity include establishing pickup and delivery operational yards around Metro areas; using consolidation facilities at Metro areas; applying trailer pools that enable drop and hook delivery versus live unload or load; driver and delivery schedule changes, where we will drive at night versus day to avoid congestion; supplier pickup scheduling changes; truck versus rail decisions; and we also employ an import port split strategy. Let me expand on that just a second as an example.

We began to experience an influx of imports into our network from overseas into Los Angeles in the late 1990s. That product was flown from L.A. all the way to DCs in the East Coast, New York, for example. The congestion in L.A. began to impact our ability to flow goods to our stores, so we split our shipments to flow through ports on the East Coast and the Gulf to avoid congestion in L.A., especially during peak seasons. And this strategy has been very successful for us, neutralizing both the cost and the risk of congestion.

However, as successful as we believe our logistics and transportation networks are, we continue to face challenges. We will address these challenges in the future with the following strategies: we will reduce the number of trucks and trailers needed on the road in Metro markets through those contingencies that I just discussed; we will keep our trucks safe and fuel-efficient; we will keep our networks flexible to change as the congestion conditions change; and we will compensate for the rail shortfalls with shifts of supplier ship points and the use of trucks.

In addition, a few specific initiatives we currently are working on include: our trucks remaining governed at 65 miles per hour; optimizing the use of longer, higher cube trailers and double trailers where allowed; and reducing the packaging on all our product lines to reduce the number of trailer loads and trucks we need on the road. We are also focused on utilizing hybrid diesel and energy recovery concepts to eliminate emissions should we be in congested situations; and, of course, we are engaged with assisting and advising State and national associations seeking other best practices on working through congestion.

While we believe Wal-Mart's associates and logistics network can deal with the challenges in the future transportation environment, we also believe we can work together with others in the industry, members of Congress and government officials to develop solutions for the challenges together.

Thank you again for allowing us to participate today, and we hope we have provided you with some insight that can be used. Thank you.

Mr. PETRI. Thank you.

We will now turn to questions. Mr. DeFazio?

Mr. DEFAZIO. Thank you, Mr. Chairman.

I would first focus on the issue of the driver shortage which Mr. Schneider brought up. And I guess I am particularly interested in Wal-Mart which has 8,000 drivers, as I understand it, and has a

very low rate of turnover. Are you having trouble recruiting? And to what would you attribute your high retention rate? Have you modified schedules to provide more time at home or are you doing more short hauls so people get more time at home? Or what is it that allows you to—

Mr. YATSKO. Well, let me just tell you what our drivers tell us on why our turnover is so low, and that is, first of all, they are respected, they are well paid, they are offered a variety of schedules, they are supported when they have personal critical needs at home. We have a real open door policy at Wal-Mart for our drivers and our other associates. We do pay our drivers when they break, when they take their DOT required break, and that is a positive to our drivers. And they don't load or unload. So they are very proud to wear the white and blue uniform of Wal-Mart. And that pretty much sums up why our turnover is so low.

Mr. DEFAZIO. Do they get a benefit package in addition to—you said they were well paid. Do they get health care, retirement?

Mr. YATSKO. They have a health care package, as well as a 401-K plan and profit sharing. And our drivers are recruited. We have some of the highest minimum requirements for our drivers, so we are recruiting drivers from—

Mr. DEFAZIO. From other companies.

Mr. YATSKO.—that are experienced at it. So we are bringing in skilled drivers. And that also attributes completely to our safety record as well.

Mr. DEFAZIO. So you haven't found it necessary to recruit foreign truck drivers.

Mr. YATSKO. No, sir.

Mr. DEFAZIO. Okay.

Mr. Lofgren, if you could expand on that. How would the benefits, wages, schedules compare to what the Wal-Mart folks are saying here? I mean, they have a higher retention rate, have enough people, and don't see a need to recruit foreigners. And you are saying we need to establish a quota for bringing in—I mean, I would reflect that there are a lot of young men graduating from high schools in my district and rural areas who don't have great job prospects, and I don't understand why we might not be targeting groups like that.

Mr. LOFGREN. Well, first of all, we don't hire anyone that is under 21 years of age, and we do that because of the fact that that vehicle—

Mr. DEFAZIO. Sure. I am not saying it has to be right out of high school, but I am just saying—

Mr. LOFGREN. But the other—

Mr. DEFAZIO. I am looking at great lifetime job prospects unless they leave the rural areas, in a lot of cases.

Mr. LOFGREN. Let's understand and let's go back. From the point of deregulation, in real terms, the real wage of drivers in the truckload industry is less than they were making in 1980. And the reason is that competition.

The other side is that driver pay is our number one cost. If you are going to increase the number one cost to roughly almost 40 percent to start to achieve some of the wages that I know people can get when they drive for Wal-Mart, those costs have to be recovered.

And that has been part of the challenge with the industry, is that people haven't been willing to cover those costs.

So driver pay is our number one cost. It hasn't changed in real terms since 1980; it is actually less. So we fundamentally think it is an issue but, as a private industry, we have to be able to recover the industry in that cost, and the market has not allowed us to do it.

Mr. DEFAZIO. Well, I guess I am puzzled by the market. If everybody is confronted with the same situation that you are, has to deal with the same labor pool that you do, real wages are down for drivers except at Wal-Mart and maybe some other major firms, the other companies must be having the same problems you are.

Mr. LOFGREN. They absolutely do. And so it is—

Mr. DEFAZIO. Okay. So then perhaps—so you are saying your solution is we import cheap labor. How about we start paying people more and the competitive market just drives everybody in that direction? Because if we don't open the door to a flood of immigrants who will work for less, then maybe everybody is going to have to raise their wages and you won't be at a competitive disadvantage.

Mr. LOFGREN. That is a great thought, but as an industry where you have to deliver returns to your shareholders, the issue is in the long-term it will happen; in the short-term it is not something that is going to get solved in a year or two years or probably even five years because, again, you have to go to the marketplace. It is kind of a truth or dare—

Mr. DEFAZIO. Well, then maybe what we ought to look at, maybe the Federal Government ought to set a standard wage and benefit package. Then you wouldn't be at a competitive disadvantage and we wouldn't have to be talking about importing labor. And anybody can go above that, but can't go below it.

Mr. LOFGREN. Well, with all due respect, sir, I don't know that you guys have proved to be real successful in those kinds of activities.

Mr. DEFAZIO. Yeah, well, it doesn't sound like you are being real successful in your business here, because you want to bring foreign labor into a Country that has a labor surplus among people who have less than a college education, and it is projected to continue. And as you pointed out, you are paying people less than in 1980. I don't consider that to be a great success either. It may be profitable, but at some point you have got to have a middle class, and truck drivers used to be middle class. If we want to put them in the poverty class, then you are moving in the right direction.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Any questions, Mr. Duncan?

Mr. DUNCAN OF TENNESSEE. Well, thank you very much, Mr. Chairman, and thank you for calling this hearing.

Mr. Lofgren, I was interested in this page that you submitted to us that says Federal regulation has the unintended effect of increasing the price of truck fuel, arguably the highest and best use of petroleum products. And I found that most people in the Country seem to think that ethanol is the greatest thing since sliced bread in regard to some of our fuel and pollution problems and so forth.

Would you go into a little detail about that and the potential problems you see with over-regulation?

Mr. LOFGREN. Well, I think the thing that people have to understand with the ethanol—and this was really based on some work that was done by the Wisconsin Department of Natural Resources that came out, and basically it said that ethanol is the precursor to NOx, nitrous oxide, which is one of the things that in the mandate for the diesel engines was to reduce that.

So fundamentally, the cost of those engines and the fuel inefficiency that is attributed to those changes that we are taking into the industry, it is driving that cost and it is causing us to purchase more fuel. And we understand why, but there is then this activity on the other side as it relates to ethanol and the use particularly in, passenger vehicles that is actually working counter to what it is we are trying to accomplish in the trucking industry.

So I think that, when we look up here and understand that we may not have achieved quite the improvement in NOx that we were looking for, you can't look back to the diesel engine and the trucking industry for that issue because there is an alternative that is being used out there for all kinds of reasons, but maybe without a clear understand of its impact.

Mr. DUNCAN OF TENNESSEE. Then you say that problems have been created because truck fuel has been singled out for ultra low sulfur mandates and, in addition, multiple, national and State fuel specifications increase refining costs and greatly increase the probability of spot shortages. I mean, some of these things, I guess, there were good intentions behind them, but the results have not met the intentions. Would you say that is correct?

Mr. LOFGREN. Yes. I think that what has happened is allowing States to come in and specify the different distillate characteristics that they would like to have out there. You know, our issue in fuel in our mind is really one of a refining and supply issue, not a crude availability issue. So you get all of these distillates; refineries have to change over, there are changeover costs.

So I think getting to a standard of what it is we want. Clearly, the ultra low sulfur diesel isn't as efficient. It is not quite as bad as we thought it was going to be, but it clearly puts a demand on the refining and supply system, so it causes these spot shortages which, in supply and demand, will cause those prices to spike. So I think that if we could step back and kind of put some reasonableness onto that process, I think the supply can improve. It won't be perfect, but it certainly would be better than what we are experiencing today.

Mr. DUNCAN OF TENNESSEE. Let me ask all three of you. All three of you have mentioned things like freight choke points and declining or decreasing highway capacity and things of that type. There are some potentially long-term solutions. Are there any short-term solutions that you see that the Congress could do that would help alleviate some of these problems? And along with that, if each of you had the power to do one thing to help out the problems that you have discussed here today, what would that one big thing be, or your first step that you would take?

Mr. Duncan, we will start with you, I guess.

Mr. DUNCAN. I don't know that I have the short-term silver bullet. I think it is a complicated issue. I mean, we need more highways, but highways are difficult to build in certain parts of the Country given the population makeup. Transit is an answer; rail is an answer. I think the bigger problem is we have always addressed all these different modes completely separate of each other. We look at transit and don't look at the impacts on highway; we look at highway, we don't look at the impact on rails; and back and forth.

So I think we have developed very rapidly this wonderful infrastructure that made us the envy of the world, but now we are getting to the point where we are going to have to invest more, and I think it has got to be coordinated, which is what I refer to as this national transportation policy. I think the funding is available. I think, as Tim said, the last thing he wants to hear me say is no; he would rather hear me say it costs a little more, but not that I can't get it there on time. And I think we have got to start investing in the infrastructure given those issues.

Mr. DUNCAN OF TENNESSEE. Mr. Yatsko?

Mr. YATSKO. I guess I would just refer to what we are focused on in the company, and that is utilizing as much of the high queue doubles equipment where we can. I mean, that is the easiest way to get trucks off the road: reduce your emissions, reduce the fuel consumption, and reduce congestion.

So we are going to look at—and then on the other side of that is to, again, reduce packaging so we can, again, reduce the number of trucks that we need out there on the roads. And then, lastly, is looking at supplier shifts that put us closer to our stores and distribution centers from a logistics channel standpoint.

Mr. DUNCAN OF TENNESSEE. Do any of you think that more toll roads or public-private partnerships, or things of that nature, are a big part of the solution?

Mr. DUNCAN. Well, as I said in my comments, I think the most efficient way to raise the funds is with fuel taxes. But I am fast becoming a believer that is probably not a political answer we can move forward with. So if that is not the answer, then toll roads are certainly okay. It does create some bureaucracy and some delay in spending that doesn't benefit the infrastructure.

The public-private partnerships I think is an interesting concept that should be explored; it is certainly a way to bring private equity money into the infrastructure expansion, which we are so very interested in. I think we have to be careful of what the States and local communities do with the monies that they gain from those sale of private highways.

I think there are some examples out there where one toll road was sold to a private equity firm, but 80 percent of the funds were earmarked then for new highway construction. I think that is probably the right way to go about it. There was another example where a toll road was sold to a private equity firm and the money was used to pay down general obligation debt. That, I think, is problematic.

So I think those are interesting possibilities, and given the fact that we need the infrastructure, I think we are willing to support good ways going down those paths, yes.

Mr. DUNCAN OF TENNESSEE. All right, thank you very much. I have gone over my time, so I apologize.

Mr. PETRI. Thank you.

Mr. Blumenauer.

Mr. BLUMENAUER. Thank you, Mr. Chairman. I appreciate the testimony and talking about some of the conflicts that we are facing.

Mr. Lofgren, I think you are right, we are working against each other. And if you look at ethanol and what some folks are talking about in corn base, not only is it going to hurt the environment, putting pressure elsewhere, but that is achieved at a not insignificant cost in terms of subsidization, massive subsidization.

So we are getting some cross subsidy. We are sending some confusing signals. And as you know, private refineries have been shutting down, in part because it is confusing and in part because it is more profitable for them.

So the private sector has reduced capacity, and it is a vexing question. And I hope that you folks, through your industry representation, can take a step back and be willing, even though sometimes it is a little dicey politically—nobody wants to get outside their tent—but to maybe have some commentary about consistency in other areas, in terms of budget, in terms of environment, because that perhaps, Mr. Duncan, will get us to the point where it is not toxic to talk about how we increase resources.

And this Committee was willing to put forth a more robust bill, but other political forces decided that that was not to be. And, as you know, between now and 2009, the trust fund surplus is exhausted. We are spending more than we are taking in.

I would hope—and, Mr. Duncan, your notion of the new vision—actually, we have got three years before the reauthorization. We will have a new administration, which will be, I think, have a different attitude, regardless of which party. I have an idea of which party it should be, but I think the next administration will be easier to work with on this big picture and on the resource.

In that connection, I would offer questions that you might come back to us on. I don't want to put you on the spot right now, but there are three issues that I personally would welcome your thoughts and observations, and I think would be useful to have part of our record and a more robust conversation in the future.

You have referenced in your testimony where things like speed limits and fuel efficiency standards for the 97 percent of the small vehicles that are on the road can make a difference in terms of the overall functioning. I would appreciate your thoughts about specific programs for urban freight mobility.

This is one where, as I looked at the last legislation, we really weren't able to zero in with something that might be an initiative that would speak to movement of freight through our urban area, and these are the choke points that vex the people that I work with and that produce, at least visually, the conflicts. We know that the trucking industry is actually safer than some people think, but, nonetheless, just when you are sitting there and you have got a double wide whipping past—and I come from an area where it rains all the time—it gives people pause.

And the extent to which some of the certified smart people that work with you are just thinking kind of pushing the limits of what might an urban freight program look like, whether it is dedicated lanes, it is different connections in some cases where we have different mechanisms for generating resources that might be limited to freight movement, which leads me to the second point that deals with how we get the resources in the trust fund. Just auctioning off chunks of our interstate freeway system and getting short-term—in selected tobacco settlement, we don't know where that money is going to go, frankly, and if it is contingent on just somebody else having the political will to raise tolls, politicians won't, and then take a cut off the top, that is going to produce a backlash in the long-run.

But notions of where we might, for example, have registration fees for the other 97. And in my State there is a weight mile tax, so the freight movement is based on the road demand. We don't have that for private passenger cars. The little old lady who drives 800 miles a year to church pays exactly the same registration fee as somebody who puts 50,000 on a Hummer. It doesn't seem right.

And we have done a little bit of exploration, but the extent to which there may be some opportunities for new revenue sources and, frankly, I am of the opinion that if all of us get together in lockstep and say, you just gave 65 cents a gallon more to foreign oil producers. I am not convinced that we couldn't make the case for a couple cents a gallon that might make a difference here, but your thoughts about revenue.

The last deals with intermodal connection. You are all telling us that you are in the business of sort of making these connections. The original ISTEA legislation in 1991, the I was for intermodal and it moved us sort of in that direction, but it seems to me we have kind of lost kind of our way in subsequent reauthorizations. I don't know that we have been as creative as we should be about ways to make the intermodal connection.

And the extent to which you or the people you work with have some thoughts about putting the I back in the ISTEA legislation for the next reauthorization, I would really appreciate it. Urban freight mobility, trust fund things that you are willing, as corporations and as associations that you are a part of, to join with some of us crazy people who think there should be more money invested in transportation infrastructure, and then ideas for the I in intermodal, I would be very interested in receiving those as you are able to. Thank you.

Thank you, Mr. Chairman.

Mr. PETRI. Let's see, any comments, or they will submit their responses?

Mr. Boozman.

Mr. BOOZMAN. Thank you, Mr. Chairman.

I was listening to the discussion with Mr. DeFazio and you about the imported labor, and, to be honest, I would agree with him in the sense that I don't think that is going to happen. And, yet, I also agree that the trucking industry, the railroad industry—in fact, we have a shortage of physicians, we have a shortage of computer programmers.

The problem is you can draw the same argument with physicians as you can with the other. You can go to St. Petersburg, Russia, which is a large city, where the average physician there that is very well trained makes $300 to $400 a month. And you can bring in all kinds of folks to eliminate that problem.

I think the better thing that we have done is we have increased the slots of medical students by 30 percent. What we are trying to do, I know in Veterans Affairs we are trying to get ourselves in a position where we can front-end the G.I. bill so that they can get it more up front for the shorter training courses, that you all offer; encourage people coming out of the service to enter those professions.

The other thing that we are trying to do is trying to get credit for guys that have spent four years driving a truck in the military, much like you do when you come out. Those are things that you would be looking for in knowing that. Now, they would still need to go through driver training in the sense of getting up to speed on all of the laws and applicable stuff, but, again, those folks ought to get some credit. And you do represent an industry that a young guy can get out and work hard and support his family, and I think that is really what that is all about.

Now, Mr. Duncan, you were talking about—and I hadn't really thought about these things, with on-time delivery. I am an advocate of rail. I am an advocate of the water. And, yet, you indicate that there is really—that things are segregated now such that on-time delivery really doesn't make itself where you can really substitute those. That is a trucking function. Can you kind of elaborate on that?

Mr. DUNCAN. You know, I think the mode selection is dictated by the supply chain and the logistics professionals managing those supply chains, not by a trucking company. And the reason 70 percent of the commerce in this Country is handled on a truck is because truck is the only mode that is fast enough and reliable enough to meet the needs of the customers and the fast-cycle supply chains that are put in place today.

In our case, we deliver up to 600 miles next day and 1600 miles second day with a money back guarantee. There is no way in the world you can introduce a rail piece in that and ever come close to meeting those service standards. So as these supply chains demand more and more, transportation has to move faster and faster and more reliable, and, frankly, the rails just have not operated with speed or reliability at this point. So there is low-value merchandise that doesn't have the inventory velocity that we are used to that works well on the rail, but the things that we do every day, the rails don't even come close to meeting those service requirements.

Mr. BOOZMAN. And yet, again, the rail, their capacity now, hauling the products that they haul, we have got the commerce on the rivers and things, and as you indicated—I hadn't thought about it—if we don't support those and continue to have those grow, then those products are going to also wind up in the trucking end of things and create more problems for us there.

Mr. DUNCAN. Well, in my duties on the Transportation Research Board, I have had a chance to interact with the Corps of Engineers

people and they are very concerned about the locks and dams. Many of them are well beyond their useful lives and it does create a concern for what could happen.

Mr. BOOZMAN. Mr. Yatsko, can you tell us a little bit—I have been intrigued. We are in an energy crisis now in the sense of high fuel prices. One of the things that we have got to do better is conservation. That is something that we can do right now. When I grew up, when you left the building or you left your room, you turned the lights out. Denny Rehberg from Montana, when he brushes his teeth, coming from Montana with the water shortages, he turns the water on, brushes, turns it off, and those things. We have gotten away from that.

Can you tell us a little bit about some of the things you all are doing to maximize your fuel capacity?

Mr. YATSKO. Sure. I think, first of all, as I mentioned, an efficient supply chain is an environmentally friendly supply chain in most cases that we look at, so our basic logistics strategy of being efficient causes us to be environmentally friendly in doing so. Using train from the West Coast into the center of the truck makes sense, less emissions overall. We are attacking fuel efficiency in our truck fleet by going after some pretty aggressive goals. We are looking at 25 percent improvement of fuel efficiency by next year. We have achieved 18 of that 25 percent so far, and we will have the rest as we turn the corner into next year.

We are also going after kind of one of those big dream goals of 100 percent fuel efficiency improvement by 2015, and we are doing that by engaging the OEMs, the makers of truckers, makers of engines, makers of components, EPA, DOD, Department of Energy, everyone that we can get involved to try to produce a truck that uses hybrid technology. And at this point we are making progress; the concepts are coming, in terms of energy recovery concepts that we are looking at, and we are pretty optimistic we will get there.

But it is important and it is a natural thing for us to do in the truck business when fuel cost is as high as it is, to drive that fuel cost down. So the return on investment on these projects is promising as the fuel cost remains high.

Mr. PETRI. Thank you. Those bells mean that there is a vote on the floor.

Ms. Berkley is unable to come back and had about a minute or two worth of questions.

It is only one vote, so what we are going to do is go over and resume the hearing in about 10 minutes from the point where we adjourn.

So go ahead.

Ms. BERKLEY. Thank you for the courtesy of letting me speak. I have an IR Committee hearing across the way at 11:00.

I think it is somewhat disheartening to recognize that we just passed a $286 billion transportation bill that is a maintenance bill and doesn't get us any further down the road, dare I say, than to where we need to be in order to accommodate the extraordinary amount of freight that traverses our Nation's highways. I would appreciate having the information that Mr. Blumenauer requested. I have got one of the most urban districts in the United States; I have no rural area whatsoever. So any suggestions that you can

provide us for movement to and through our urban areas would be greatly appreciated.

And his second request regarding resources into the highway fund, I represent a district that is very—although it is Las Vegas, it is very conservative politically. We are still paying over $3.00 a gallon in gas, and it would be very, very difficult to ask my constituents to pay more for a gasoline tax, although I appreciate the importance of that. And if you have been in the Western United States for any length of time, you know that toll roads do not work because there is no history of a toll road. And while it is rather commonplace on the East Coast, I can't even begin to imagine putting toll roads in the Western United States.

So these are dilemmas that we have. We recognize the needs for our future, but we also need to figure out how we are going to get there. So any information you could provide with us would be greatly appreciated. Thank you very much for being here.

And thank you, Mr. Chairman.

Mr. PETRI. Thank you.

I think what we will do is, as I said, recess until around 11:10. That should give people a chance to run over to the floor. We are voting on a bill having to do with the future of horses.

[Laughter.]

[Recess.]

Mr. PETRI. The Subcommittee will resume. A number of our colleagues will be returning shortly and we will continue with the questioning. If it is all right, I will begin. I haven't asked a first round as yet.

I had a number of questions and, of course, one of the big ones, we have all been talking about not only the need for good infrastructure, but then how to fund it, and we use a number of techniques currently, all the way from sort of sales taxes and fees on vehicles to proxy user fees, some call it tax. It is really a user fee; you don't have to pay it if you don't use the roads directly or indirectly. It is through gas and diesel fuel taxes. And then we have other tolls.

And I would really be interested in your observation as to how to go. When the Congress adopted the interstate highway system after a big debate back in the 1950s, the president at that time submitted a proposal, President Eisenhower, and I believe part of it was to have the program initially funded through financing mechanisms, bonds, other mechanisms.

When it got to the Congress, the people's representatives, led in the Senate by Senator Gore in Tennessee, who was the leader at that time, decided that it was fairer and more equitable to have a kind of a user pays principle and do that through a gas tax, rather than borrowing on Wall Street or trying to toll. So that is the system that we have, which was devised by people's elected representatives as the fairest way of doing it.

It has now evolved, we kind of have a mixed system. I would be interested in your experience as you see different States having different approaches. You have to drive and operate over them. Schneider is going to the West Coast and East Coast with trucks from its base in the Midwest. It has lots of bases, really.

Anecdotally, I have heard that when the tolls on the—now Indiana is talking about raising trucks tolls a lot more because it is being owned by Italian and Mexicans or, excuse me, Spaniards, New Zealand people or Australians or other foreign investors. What do you do, do you go off the roads? Do you drive back roads? Or do you just pay more tolls? Is this really going to work, all this tolling, whether it is called privatization or just plain tolling?

You have to buy gas, you are not going to move the trucks. So at least everyone pays and we have a universal system and it is relatively fair. But the tolling thing, I mean, are you sitting ducks or do you avoid tolls? Do you make so much on each movement that you are able to pay whatever the traffic will bear, so to speak?

Would you care to comment on that?

Mr. LOFGREN. Sure. I think we have looked at some of the lanes that we run for customers coming out of the Midwest into the Northeast, and I think in one case it would add $195 in tolls. I would be thrilled if I could make that on a load.

So essentially you are in a loss position. So what typically happens is that you tend to divert off of toll roads onto other roads where you have more intersections and those kinds of things. So it is a very well known result that happens not just by us, but all of our competitors, because, again, you have to recover these things in the marketplace. And if you can't, and if there are alternatives, then the customers expect you to find them. So it really does drive traffic off of these toll roads.

Mr. PETRI. Well, historically, tolls have worked at sort of choke points in any transportation system. There is this theory, I read a book once, about economically why Columbus was looking for the new world, and that was there were so many people imposing tolls for travel across the Middle East and Europe that they were looking for toll-free ways of getting around to the other side of the world, and people were willing to finance that. Whether that is true or not, I don't know.

I mean, we have discouraged States from tolling unless they build their own systems at the Federal level, but is there more of a Federal interest in that? I mean, if Indiana decides, as it looks like, it is going to raise its truck tolls significantly, won't that affect toll revenues in Ohio and other place that are on adjoining systems, and might you not divert out of those systems entirely?

So some kind of—I mean, there is some—I mean, they could be engaging in a robbing Peter to pay Paul thing, or it may make sense for Indiana to raise its tolls but not make sense overall because the loss of toll revenue throughout the system would far exceed what they gain in their one piece of it.

Mr. LOFGREN. I think clearly, over the long term, those things all hold, because they hold with the principles of economics. In the short term what happens is, in our case there is freight that we just simply will not haul any longer because of what is required from a tolling standpoint. We just choose to take our tiny aspect of this industry and focus it other places.

So I think long-term those things happen. I think they are demanding issues. I think very much like Mr. Duncan has said, that that horse is out of the barn. I think it is, how do we use it appropriately. I think that we do need to get some situation where there

is an opportunity to challenge the fairness and reasonableness of these tolls, which we have struggled to be able to challenge appropriately, but I think they are going to continue to be there.

I don't know that I am smart enough to figure out all the rippling economics behind them, but they clearly drive behavior, and that is a well known, well understood, well documented fact today. I think given they are going to go and continue, I think the biggest issue is certainly at the State level. If those funds go back to enhance and maintain the infrastructure that is generating them, I think that is just one of the biggest steps that we can take right now, is just let's let those dollars go to maintain and enhance the infrastructure that generated them, and then we can really understand how much of a problem we have got beyond that in terms of what has to get covered.

Mr. PETRI. Any comments on that, Mr. Duncan or Mr. Yatsko?

Mr. DUNCAN. Well, to reiterate what I have said, I still think the most efficient way to raise the revenues is the fuel tax that is already in place. I think tolls, as you say, are counterproductive; they create congestion, choke points, they create more costs to administer them that we don't need. I would rather have those dollars go through.

But I guess I deal so much with the research, frankly, I am more concerned about the looming infrastructure problem than I am the cost concern. I mean, by 2020, most of the people will tell you commercial vehicle traffic will go up 70 percent just to support today's commerce on a current growth trend. Yet, at today's growth rate of the highways, to support that will grow about 5 percent of lane miles for that 70 percent increase in commerce.

Said another way, the roads that you and I drive on every day will have twice as many cars and vehicles on them by 2025. Clearly, that is not acceptable. We are going to be at absolute gridlock in this Country if we don't start to take action now.

So as a business, obviously, I am terribly concerned about cost and rising costs, because it is very difficult to pass that on, but, frankly, no matter how you tax a trucking industry or a transportation industry, whether it is a user fee or a fuel tax or a toll, that ultimately becomes a tax on the consumer because I can't bear those costs. Those costs that you give me go on to the consumer. So it is a cost to the consumer no matter how you structure it. I think we just ought to look at the most economically feasible way to structure those revenue increases and go that route.

Mr. YATSKO. Mr. Chairman, I would just give you this perspective, that we have 117 distribution centers out there, and there are those that have tolls and those that don't. And as tolls come on top of those areas where we have distribution centers, we don't have the flexibility to go around them, so it is a direct cost hit to our company and, as Mr. Duncan mentioned, to the consumer in some cases.

The caution on tolls to Chris's point, too, is safety. When a road is tolled and trucks go around that road, it does create issues for some of the local areas in the Country as well. So we just have to be cautious about that. But we understand tolling is going to probably happen, and if those funds are used for infrastructure improvements, we would support that.

I would just also mention that, from a safety standpoint, our systems are all built on authorized truck route only, so that in some cases that toll road is our only alternative and you have to use it.

Mr. PETRI. Just one maybe other observation, and that is when the interstate highway system, as I mentioned, was proposed to the Congress, they didn't say, no, we don't want to pay for it, let someone else pay for it or bond it; they said, hey, we really want that, it is important for our Country long-term and, of course, it has transformed our Country. You can't imagine what our Country would be like—there probably would not be a Wal-Mart if there was not an interstate highway system; it would not have grown, probably, out of being a regional company down in Arkansas or wherever. Anyway, it has transformed our Country.

But the challenge now is to figure out how to marshal resources. And we know the public is going to have to pay one way or another; they pay through inefficiencies in the system if we under-invest, they can pay through over-investment or waste or diversions if we don't manage the system properly. And we need to come up with some—it is not going to be perfect from everyone's point of view, but some kind of a combination of a program with a funding mechanism that people can get behind and explain. I am sure the public will support it.

This has happened in regional areas across the United States, where they have to get bonding or funding authority, taxing authority through referendum in California and other places by 60 percent votes, and they do for transportation infrastructure investments. People will vote for it if they feel the money will go for that need and it is a well thought out, appropriate program.

So it is a political and community challenge for those of us in the transportation sector, but it can be done because it has been done in many part of the Country. We look forward to working with you in figuring out how to meet that challenge because it is very important not only for today, but for our children and our grandchildren going forward, not just their own convenience, but with efficiency and competitiveness of our economy 20, 30 years from now, in my view.

Mr. DeFazio.

Mr. DEFAZIO. Thank you, Mr. Chairman.

Just back to the financing issue and tolling. The ATA was represented in the audience at the last hearing we had, but I don't know whether you have all been sort of briefed. But we held a hearing on the Indiana toll road and there were some disturbing things that arose from the discussion, and it is mirrored here.

Mr. Lofgren admits, and I think it is very rational, that, where possible, you will find a route that doesn't cost extra. If you are going to pay more in tolls than your profit margin, it doesn't make a lot of sense. But then there becomes a question of the whole system and what it means.

In the case of Indiana, it is interesting. The Indiana toll road is privatized, it is being controlled by foreign interests. They have a non-compete clause within a certain distance of the road, which means Indiana cannot improve roads adjacent to that over the life of the contract. And then they put in place a mechanism which Mr. Daniels assured us would take care of the possibility of very high

tolls. He said, in part, the State didn't do it on their own because the State didn't have the will to raise the tolls.

And then he said, but don't worry, we have given that to a private entity, but we put in the contract some controls. Well, our staff went back and computed out if we had applied those same controls, the lesser of one of three factors, since the construction of the Holland Tunnel and the current toll to go through the Holland Tunnel, applying those factors would be $175 per car.

I am very concerned about what may—and then they also have this other kind of—I asked about congestion. They said, oh, we put in congestion standards. And I said, yes, but there are two ways of meeting a congestion standard. You can meet it by expanding the capacity or you can meet it by raising the price and diverting people somewhere else, and none of those things was satisfactorily answered.

So I guess I am not quite as sanguine as Mr. Yatsko about tolling is inevitable and we have got to kind of deal with it, because I am worrying about the fragmentation of what is now a great national network of highways that needs some investment into something that gets parceled out. I guess I would like to hear you all reflect. I mean, is avoidance a factor also for Wal-Mart or for your firm in terms of tolls, or is there a level at which it may well cause diversion or avoidance like with Mr. Lofgren? Are you monitoring this, concerned about the potential?

Mr. DUNCAN. Certainly. I mean, there is a price for which the consumer will not pay.

Mr. DEFAZIO. Right.

Mr. DUNCAN. So there will be some point you get to that diversion. Some modes of trucking may get there quicker than others. My biggest problem is getting things delivered on time. I offering a value-added service that allows a customer to do without inventory, so they are willing to pay a little more for the transportation to avoid the bigger inventory costs, but there is a maximum to that as well.

I am certainly concerned about having all these different toll structures and creating a maze that becomes harder and harder to execute this national strategy that I am talking about. This complicates the issue phenomenally more. I am just simply saying if this is the only way we can bring new money to the infrastructure, it is better than living with what we have.

Mr. DEFAZIO. Right, if it was the only way.

Mr. DUNCAN. My preference still is to raise the fuel tax. It is the most—

Mr. DEFAZIO. Right. And since you are brave enough to say raise it, I assume then you would also support indexing, which would be—

Mr. DUNCAN. Yes.

Mr. DEFAZIO. Since we haven't raised the tax since 1983. I mean, had it been indexed, obviously it would be quite a bit higher today.

Mr. Yatsko, do you have any reflection on this point?

Mr. YATSKO. Well, again, I agree if the question is about funding and the tolling is going to occur to fund it, if that funding goes to infrastructure improvements, it makes sense to adapt to that, as long as it does lead to infrastructure improvements.

Mr. DEFAZIO. Right. Of course, in the case of Chicago it didn't. They are funding social services with the tolls, which is—

Mr. YATSKO. Which doesn't make sense.

Mr. DEFAZIO. Right. But even in the case of the infrastructure investments, which Indiana is dedicating the bond revenues to, the question is who will that benefit, because if it is not an investment in that corridor which is being tolled, which has now been transferred to a foreign entity, the revenue is actually going to be invested elsewhere in the State and may or may not provide substantial benefit to the problems that you are outlining.

I guess my concern is the fragmentation of the system, which brings me back to where I started, which is the idea that I really think we need to look at, perhaps through the commission that we named in the TEA-LU bill that has just started to meet, a least cost transportation planning, which would involve all modes. I mean, if it makes sense, if you are going to move something from Seattle to L.A. to short haul on either end to the train, and then take it down on rail if rail was cost-effective—we know it is fuel-effective.

There is a question of who they are targeting, what their capacity is and that, but would we be better served as a Nation, say, on the I-5 corridor—I am most familiar with that—to invest more money in more lane miles or should we maybe be partnering with the freight rail with some kind of incentive to get the investment that is needed there, whether we do it through tax incentives or something else, so that we get an alternative.

I don't know, but I am just thinking that moving to tolls is really taking us back more to the beginning of the Republic as opposed to the dedication we had in the 1950s to a national system that was going to be the best in the world, and I am really worried about its future and I am just trying to apply some thought.

Mr. Lofgren.

Mr. LOFGREN. Well, we run freight down the I-5 corridor, but we also run freight behind trains running down the West Coast, and I think the thing that has got to emerge—and I think, frankly, the entire transportation industry is different today. I think people recognize there isn't one answer, there isn't one mode.

I think people recognize that these things fit together, there is an appropriateness for them. And I think there is more of a willingness to say, hey, how do we work through this, where traditionally we have been, we have kind of fought each other in this whole thing to try to get whatever share that we could get of whatever dollars were going anywhere, and I think it is different today.

So the I-5 corridor, I think the answer is probably both, but is both thoughtfully done to get the result that we want. So I come down on that issue and I do frankly think there is just a new spirit of collaboration in the industry. So I think the possibility is there. I think the Committee has the opportunity to be able to get leverage from that.

Mr. DEFAZIO. Yes. I would just say in Oregon our Governor started something called the Connect Oregon Program, and they have identified—it is interesting. Of course, the congestion obviously comes almost in the same places both for rail and highways--which in Portland is a big problem, it is the big city right there in the

middle, I-5 and the rail. So actually, the State is partnering with the rail companies to use some money to build sitings so we can get more efficient movement of freight on the rail, with the idea that we are avoiding an almost impossible problem of saying we are going to build more lane miles through Portland on I-5, which is not likely to happen, although there are people proposing—I mean, there is diversion around Portland, and then you get into the other issues about diversion and tolling and bridges across the Columbia. Anyway.

Well, I would look forward to anything you all can contribute to the idea of how we move forward as we move toward the next reauthorization in an integrated way that is going to make sense both for your businesses and all the industry it serves, and for the traveling public. But I really do appreciate the testimony.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Mr. Brown.

Mr. BROWN. Thank you, Mr. Chairman. I certainly want to commend the panelists for coming and participating in this discussion today.

One of my largest issues, I guess, on the Committee is that we really haven't had a real vision for our transportation infrastructure since 1954, when President Eisenhower laid out the interstate system. And I know we have been trying to improve it and patch it and expand it, but we haven't really redesigned new corridors that we feel like might help alleviate some of the congestion on the current corridors.

And I was just wondering, since we have got three of the top people in the Country right here, if you all have any input, Ms. Peters now is the new highway guru, so we are just wondering if you all have been able to come to the table with those folks to try to determine where the new routes might be.

And I know that a lot of the population has shifted since 1954, and I noticed you all were certainly willing to make some concession on how we fund it. Apparently, I have been able to gather that you would rather have just an across-the-board price of gas increase with some user fee, rather than be confronted with all the tolls from different regions.

Do any of you all have a comment about how we might proceed on the next level? I know we are going to be having another reauthorization bill I guess sometime in the near future, and it looks like we ought to be a little bit more proactive in where we might want to go. Any suggestion on you all's part?

Mr. DUNCAN. Well, Secretary Mineta did put together a commission to investigate the national transportation policy, and that is underway. I think that begins with the framework of how to craft this new vision. I think the next part is how do you get all these different modes working together, and I think Government has to assist in that.

But I think the biggest issue we are going to come to is the funding side of it. So we can develop the vision, we can develop the plans. And I think, as Chris said, I think there is a cooperative spirit today like there has never been before among the modes of

transportation, but this funding issue is going to raise its head very early in that process.

Mr. BROWN. I know that you mentioned that, and I am just wondering, in the process, did we ever try to put a cost dollar line on the cost congestion lost time that we experienced from congestion, if that is built into that analysis so that we can use those numbers to say that it is going to cost us so much more, but it is going to save us the bottom line on those issues? Is that part of the formula in determining which direction we might go? I mean, it is costing you already, right? It is just a matter of—

Mr. DUNCAN. That is right.

Mr. BROWN. And I know you said the biggest issue is on-time delivery, and I know it has got to be a real problem there, trying to get through some of the maze of traffic.

Mr. DUNCAN. Well, it is. I mean, I think a statistic that Secretary Mineta used when the trucking industry was deregulated in 1980, logistics cost was 16 percent of the GDP, and in the year 2000 it was down to 10 percent. I think that is what has happened with this fast-cycle logistics, and that is the kind of improvements we have made, but that trend is going to begin to reverse and go back the other direction if we don't address the infrastructure issue. So I think the research can be done, those issues can be quantified, and there are savings to be made in doing that.

Mr. BROWN. Anybody else?

[No response.]

Mr. BROWN. Thank you very much. We certainly look forward to working with the industry as we move forward in the next reauthorization bill. Thank you.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

Mr. Boozman.

Mr. BOOZMAN. Thank you, Mr. Chairman.

I, like Mr. DeFazio, am also concerned about the fragmentation of things. Oregon can do a tremendous job out there. If you can't get out there, in other words, if Oregon gets its act together, which they are working very hard to do, it sounds like, if you can't get to Oregon because, the States in front of it haven't done what they are supposed to do, then it is very difficult.

So I think you could argue that, again, right now, we have got problems, but we really are the world leader in what we have got, and I think that has really come about through congressional leadership, that was done many years ago and has continued. So, again, I think our challenge is to continue that more than ever.

We mentioned the challenge of how you pay for these things, and certainly tolling is out there. Mr. Yatsko and the rest of you I know are working very hard to cut your mileage down. You mentioned your goals of I think 25 percent in the next year or so, so theoretically you are going to drive the same miles and you are going to pay significantly less fuel tax.

That is commendable. I am not criticizing that at all. That is exactly what we need to do because of environmental reasons, security, and then the economics of the things. On the other hand, the real challenge is how we make up for that. So I really appreciate the testimony.

I appreciate you, Mr. Chairman, and the Ranking Member for having this hearing. I think it has been an excellent, excellent meeting. I would really encourage us, under your leadership, I think we need to almost start a series of roundtable meetings, very informal, to get State, Federal, and the business entities together to start looking forward.

The new Highway Bill is going to be on us before we know it, and probably some of these things we need to be doing immediately that really don't cost any money, it is just a matter of coordinating. And certainly with individuals like this, we really do—and many others—we have got the opportunity to be proactive.

So, again, thank you all for being here, and I really did enjoy your testimony.

Mr. PETRI. Thank you.

I second Mr. Boozman's comments. Your organizations are catering to a significant percentage of the American people in our economy, and if you put two or three other components together in the rail industry and probably a few other segments, you would have a representative group of people who have to spend a lot of time figuring out how to make the system work. And I guess your work is to basically make the hand you are dealt work as effectively as possible, and our job is try to improve your cards.

And we need to work together on figuring out how to do that, and I don't think one master plan and top-down is at all the way. It is not the American way and it is not probably the best long-term way, because situations change and opportunities develop, and you want to be able to adapt to them and not be locked into something that ends up looking like a good idea and 20 years later you wonder why you are stuck with it, and that has happened a lot in other countries around the world.

So I am hoping that maybe we can have some meetings with the Transportation Research Board or some other people and build on the Mineta Commission that is going forward and do the best job we possibly can of laying out a road map that will people—no one likes to pay for anything, but makes you feel it is worth paying for, because we know, as I said before, we are going to have costs whatever we do. The only issue is whether we make a considered effort and build over time or whether we kind of fritter our money away through inefficiencies and gradually lose competitiveness. So it is a major challenge for all of us, in addition to the challenges you face every day in your work.

We thank you very much and your associates for preparing the testimony and your written submissions, and we look forward to working with you as we begin the process of renewing the Federal commitment to a first rate intermodal transportation system for the 21st century.

The hearing is adjourned. Thank you.

[Whereupon, at 11:50 a.m., the subcommittee was adjourned.]

OPENING STATEMENT OF
THE HONORABLE RUSS CARNAHAN (MO-03)
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON HIGHWAYS, TRANSIT AND PIPELINES
U.S. HOUSE OF REPRESENTATIVES

Hearing on
Freight Logistics

Thursday, September 7, 2006, 10:00 AM
2167 Rayburn House Office Building

Mr. Chairman and Mr. Ranking Member, thank you for hosting this important hearing on Freight Logistics.

The efficiency of freight delivery is increasingly important to all our constituents, whether they are salespersons, truck drivers or simply consumers. "Just in time" deliveries allow for reduced prices of market goods but put increased pressure on highway capacity as they place more shipments on the roadways. These new delivery strategies rely on a predictable transportation system. Unfortunately, increased congestion, rising fuel costs and other driver costs as well as driver shortages have hindered the reliability of our highway capacity.

Mr. Lofgren, Mr. Duncan and Mr. Yatsko, welcome to our subcommittee and thank you for appearing before us today. In past hearings I have been pleased by the innovative and thoughtful contributions of business leaders. I hope to hear more wise advice from the three of you on this particular issue. I am eager to hear your testimony.

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Testimony by

Douglas G. Duncan
President and CEO, FedEx Freight

To

Highways, Transit and Pipelines Subcommittee
Committee on Transportation and Infrastructure
U. S. House of Representatives

On

"The Road Ahead as Seen by the Users of the Highway Systems"

September 7, 2006

Mr. Chairman and subcommittee members, thank you for the opportunity to appear before you today to discuss freight logistics and issues impacting the trucking industry, a key provider of services to businesses of all kinds throughout the U.S. I'm the president and CEO of FedEx Freight Corporation, which includes FedEx Freight, FedEx National LTL and FedEx Freight Canada. These companies, with approximately 37,000 employees and 470 service centers across the U.S. and Canada, are the primary trucking operations for FedEx. In addition to my duties with FedEx, I serve on the executive committees of the American Trucking Associations, (ATA), and the Transportation Research Board (TRB). I am also Chairman of the American Transportation Research Institute, an organization that conducts research in the field of transportation.

In the trucking industry, our role is to support supply chain management, connecting products and goods with people, efficiently and safely. At FedEx Freight, we serve more than 200,000 companies across the U.S.—including retailers and manufacturers – of products ranging from computer chips to potato chips. According to the ATA, approximately 69 percent of the total freight transported in the United States last year moved on a truck. That amounted to 10.7 billion tons of freight, a new national record. And we expect a demand for our freight services to remain strong for the long term. In fact, the Council of Supply Chain Management Professionals estimates that domestic freight transportation (in tons moved) will rise 65 to 70 percent by 2020.

As a 30-year veteran of the transportation industry, I will tell you that carriers have made tremendous strides since deregulation in 1980. The industry has transformed itself from being internally focused into an industry that is driven to meet market demands. One of the most significant market dynamics in recent years has been the move to fast-cycle logistics. Companies have begun managing supply chains holistically — looking at the overall cost of goods and inventory. And, the supply chain professionals who have been the architects of this new approach to transportation and distribution have achieved a great deal. Logistics as a percent of GDP has been trending down for the past decade. Inventory levels continue to drop, with the average amount of inventory stocked in US reduced by nearly 20% in recent years. As a result, businesses are more efficient and able to react more swiftly to changing market needs.

In this competitive environment, reliability is a necessity, not an option. As companies reduce their inventories, there is no "safety supply." And, with global sourcing, planning and executing extended supply chains requires absolute certainty and integrity of information.

The trucking industry plays a key role in supporting our country's economy, and to do so, we need an efficient highway system. Our current infrastructure is not sufficient for our needs today, much less tomorrow.

Rosalyn Wilson, author of the Council of Supply Chain Management Professionals' 2005 logistics report, recently stated that, "It's no longer a question of if we will reach a crisis point, but when."

Based on recent studies by a number of groups, her concern is valid. For example, the Federal Motor Carrier Safety Administration (FMCSA) reports that from 1998 through 2018, there will be 70% more vehicle miles driven by commercial vehicles alone. However, the most recent trends regarding infrastructure show only a 3.4% increase in highway lanes between1994-2004.

Not only is the addition of highways not keeping pace with commerce, but existing highways are in poor condition. Last year, the American Society of Civil Engineers, which assesses the national infrastructure periodically, last graded our roads a "D," a slight decline from their "D+" in 2001.

The impacts of an insufficient infrastructure are significant—for the business community and for all of us as individuals. Substandard highways are dangerous. Outdated and substandard road and bridge design, pavement conditions, and safety features are factors in 30% of all fatal highway accidents, according to the Federal Highway Administration.

Beyond the challenges many residents of major cities, like D.C., face in just getting to work everyday, congestion is expensive for business and industry. According to a speech by former U. S. Secretary of Transportation Norman Mineta, our country is losing an estimated $200 billion a year due to freight bottlenecks and delayed deliveries. Companies, like FedEx, that support these critical supply chains, are challenged to find ways to maintain service standards despite these conditions. Congestion is a key factor driving FedEx Freight's need to build new facilities.

In examining the state of our infrastructure, we cannot ignore the other key elements of transportation today—railroads, dams, rivers, ports and airways. The business of transporting and distributing goods today is not a "one size fits all" proposition. Some commodities are uniquely suited to move by rail. Intermodal is also a good option for less time-sensitive shipments. For next-day delivery of packages and large shipments, trucks are needed. And, when containers reach our shores, ports must have the capacity and ability to accept these vessels, so that the products they contain can continue their journey—sometimes by rail and truck—to the final destination.

The interconnections and dependencies among all modes and channels of transportation and distribution are critical. And, much like the supply chains of our customers, infrastructure must be viewed holistically, with improvements to highways, rail, ports and dams coordinated. Also, like our customers' supply chains, one weak link can lead to disastrous results. Imagine commerce being diverted to already congested highways if a dam or lock on the Mississippi River failed. Given the condition of many locks and dams, this is not an unrealistic example.

In short, all aspects of our infrastructure must be functioning well and expanding appropriately to meet the overall needs of the marketplace and the economy. The Department of Transportation's development of a National Freight Policy Framework is a

good concept. However, we must ensure that we have the right resources focused on the right outcomes and that we have a common understanding of the desired end state.

It's clear that additional revenue is needed to fund infrastructure improvements. The National Highway Re-Authorization Bill that was passed by Congress in 2005 won't adequately fund needed maintenance of the current interstate system, much less expand it. The Road Information Project, a Washington non-profit group that promotes transportation policies that relieve congestion and aid economic productivity, estimates it would cost $35 billion a year for major improvements that would significantly reduce congestion.

FedEx Freight supports increasing the federal fuel tax if the additional revenue would be used solely to improve highways. While there are many commendable projects being funded in communities across the country, we cannot lose sight of the very important work that needs to be done to enhance our nation's transportation system to make it more efficient and safe.

More government-controlled toll roads or higher tolls aren't the answer. Every time we build a new toll way, we have to build a new bureaucracy to collect and administer that money. Again, I think those funds could be better spent on critical roadwork. Mechanisms, however, already are in place for collecting higher fuel taxes.

On the other hand, states are beginning to address federal under-funding for highways by outsourcing toll roads to private equity. While I believe that fuel tax is the most efficient way to raise revenues, privatization of highways – if properly controlled – may be a good way to bring new funds to our infrastructure.

Intermodal offers some opportunities; however, it is not a tool fast enough or reliable enough for fast-cycle logistics or shrinking supply chains. If customers are forced to divert shipping to slower modes of transit, we will add inventory back into the supply chain, risking the ability of companies to compete and be efficient.

In closing, I would tell you that the issues we face in the trucking industry go beyond roads – railways, dams, rivers, ports, and airways all affect the movement of goods. The private sector and industry groups need to continue working with the government and making the case for holistic long-term infrastructure plans. We need to have a new vision for the future and an actionable plan to make that vision reality. And we need to make this a priority now. Thank you.

BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES
2165 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515

PREPARED TESTIMONY OF:

CHRISTOPHER B. LOFGREN
PRESIDENT & CEO
SCHNEIDER NATIONAL, INC.
GREEN BAY, WISCONSIN

SEPTEMBER 7, 2006

SUPPLEMENTAL SHEET

CHRISTOPHER B. LOFGREN - PRESIDENT AND CEO
SCHNEIDER NATIONAL, INC.
P.O. BOX 2545 – GREEN BAY WI 54306-2545
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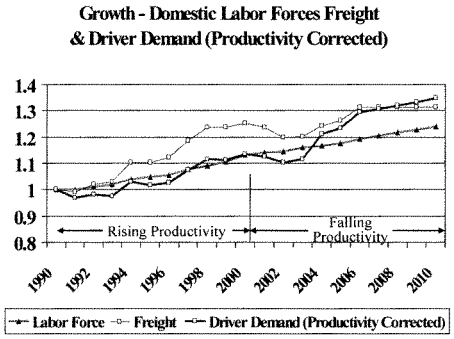
TOPICAL OUTLINE

- **Driver Crisis** – *Issue* - A shortage of long-haul truck drivers is raising costs and limiting the industry's ability to serve customers. *Recommendation* - Expand permanent employment visas quotas to cover truck driving.
- **Truck Equipment** – *Issue* - Regulatory costs on equipment are an increasingly visible element in trucking costs. The effect is magnified by the 12.38% excise tax on new equipment. *Recommendation* – Provide tax relief for federally-mandated equipment cost increases.
- **Fuel Costs** – *Issue* - Federal regulation has the unintended effect of increasing the price of truck fuel, beyond the fuel cost for other applications. This is in part because of very stringent reductions in heavy truck NOx emissions, a concern not apparent in policy towards other sources of such emissions. *Recommendation* – Develop balanced, consistent policies towards fuels and emission tradeoffs. Provide priority for highest and best uses of fuels.
- **Safety** – *Issue* – Heavy trucks are consistently improving safety performance. They cause less than 3% of injury accidents nation wide. *Recommendation* – Focus safety improvement efforts on passenger vehicles where the overwhelming majority of the problem resides. Lower the national speed limit.
- **Infrastructure** – *Issue* – The performance of this critical enabler to the American economy is deteriorating due to inadequate investment. *Recommendation* – End the diversion of highway user taxes to non-highway uses.
- **Overall** – *Issue* - Government intervention in trucking has changed from powerful cost reduction to cost increases. This situation adds to the broad increase in trucking costs since the late 1990's. R*ecommendation* – Redress the balance of government policy towards truck/highway investment and productivity.

The Driver Crisis -- Increased Costs Ahead

Until the late 1990's, growing trucking productivity made up for the gap between tonnage growth and labor force growth. It no longer does. In fact falling productivity now widens the gap. In addition, we have exhausted the portion of the work force that likes to be on the road. This combination of factors adds up to a driver shortage that increases trucking costs and prices for consumers.



- Forecasts call for the continuation of falling trucking productivity.
- Without immigration, the workforce will grow at slightly slower rates than in the 1990's. It is expected that the share of the population well-adapted to trucking will shrink.
- Almost half of our recruits now come from the unadapted portion of the population, up from 10% in 1990.

Managed immigration is one potential solution. We know there is a significant population of potential immigrants with truck driving experience. Existing immigration laws have allowed us to successfully recruit a limited number. To do more, the laws must recognize truck driving as a critical skill,

something not done today with blue collar skills. In addition, the visas must be permanent so that we can recoup the significant training and orientation expense.

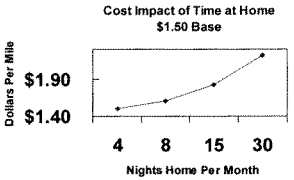
Demographics Productivity and Preference. The long-haul trucking industry faces a magnified version of the labor shortage facing the entire U.S. economy. Trucking is particularly dependent on the mid-age, male population whose slow growth rate is at the center of the problem. Historically, trucking solved the problem through aggressive productivity improvement that offset the gap between labor force and tonnage growth. Trucking also had to deal with a specific shortage of people well-adapted to the itinerant lifestyle of the over the road driver. By the end of the 1980's, the industry had exhausted the normal supply

Labor Shortages			
	U.S. Economy	Trucking 1990	Trucking 2006
Nominal	2.5%	2.4%	1.8%
Productivity Corrected	0.5%	0.1%	2.0%
Preference Corrected		0.5%	4.0%

of such travel-adapted people and had to begin recruiting from the general population. That was the point when recruiting, training, and turnover expenses began their steady rise. The problem is now of crisis proportions for two reasons. First, we are recruiting a very significant portion of drivers from the unadapted population – close to 50% in some applications. Second, the productivity equation has now turned negative, changing from a solution to a contributor to the problem. The net is a substantial driver shortage, concentrated in the long-haul portion of the market.

National implications: The shortage has affected the national economy in two ways. First is an increase in logistical cost. The shortage has increased driver pay and other expenses close to 30% since 2003. These costs have been passed directly on to shippers and then to consumers. (Logistical costs are rising as a percent of GDP for the first time in generations.) Second, there are actual spot shortages of trucking capacity that are causing dislocation to supply chains. We expect the latter problem to grow to national scale during the next expansion in freight demand.

Solutions – time at home. We are increasingly convinced that the domestic solution to the driver crisis is a reengineering of the truck network to provide more time at home. Our research tells us that even dramatically increased pay will not help recruiting from the essential unadapted portion of the labor pool. The alternative, disrupting the efficient routing of a long-haul truck to get a driver home, is expensive in time costs and circuitry. Providing even modest improvements in time at home will increase trucking costs 10%. Providing "normal" time at home rates would double costs.

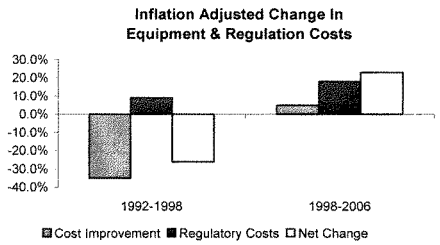


Managed Immigration A second solution is the expansion of immigration rules to allow the recruiting of experienced truck drivers from overseas. Current rules for employment-based immigration visas cover only very highly skilled professionals. They do not provide for relief to lower skilled, but essential occupations where certified shortages exist. One such a shortage is clearly the case in trucking. The current Senate immigration bill, S 2611, includes provisions for such immigration. The House bill H.R. 4437 does not. It is important to note that employment visas for trucking would need to be permanent. The significant investment for training and orientation (>$15,000/driver) rule out the practicality of temporary visas. Schneider National has

proved the practicality of recruiting foreign drivers in small numbers under the current law. We have successfully recruited drivers from Ireland when quotas were available in the 1990's and are currently bringing in twenty-two drivers from South Africa.

Equipment Costs Rising Under the Pressure of Regulation

A 15-year period of falling equipment costs encouraged a wave of technical improvements and masked the growing burden of regulations. In the current environment, where equipment costs are rising, regulatory costs are additive to basic equipment costs. Under those circumstances logistical costs go up and technical innovation may stagnate.



- Between 1980 and 2006, we have added 17 safety or fuel economy improvement devices to our tractors, only one of which was Federally mandated. We have an additional 10 currently under study.
- Upcoming regulations (2007-2009) will increase the cost of operating a tractor by $7,700 per year.

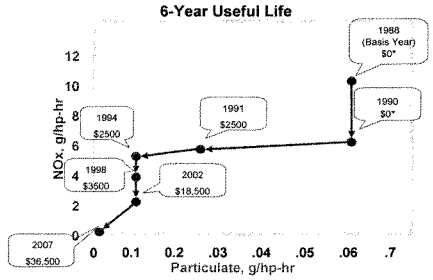
The burden of regulatory costs is exacerbated by the Federal Excise Tax on truck equipment. The $12,500 incremental cost of 2007 emission-certified engines is taxed another $1,560.

History Of Falling Equipment Costs: From 1980 to the 2000 the price of a tractor remained unchanged despite overall inflation of > 50%. The benefit came on top of improvements in performance and comfort. Moreover, very favorable trade-in terms made the net effect a nominal price decrease. This achievement came from improved manufacturing efficiency, falling materials prices, and supplier competition.

These improvements were sufficient to mask the effect of two important tax burdens. The first is the indirect tax burden of emission regulations. Since 1988, the five-fold reduction in diesel emissions has added $18,500 to the cost of a tractor over five years. This number is the total of capital and operating cost increases. Second is the direct burden of the 12.5% Federal

Incremental Cost of Emission Reductions vs. 1988 Baseline

6-Year Useful Life



Excise Tax (FET). It is applied to the purchase price of new tractors and trailers including any mandated equipment changes. The industry is, in effect taxed three times on any equipment regulation: once in the purchase price, once in the excise tax on the purchase price, and once through increased operating cost of the equipment. These taxes went largely unnoticed in an era when other costs were falling rapidly.

The Era Of Rising Equipment Costs: Since the late 1990's the underlying equipment costs trends have reversed. Tight capacity has raised producer margins while material costs are up sharply. Tractor productivity is down between five and ten percent depending of application The industry can no longer offset the cost of regulatory compliance with intrinsic cost reductions. Regulation costs are now felt directly by the customer - and at an increasing rate. With the 2007 emission regulations, the cost of compliance has roughly doubled. It follows that the FET tax penalty has doubled as well.

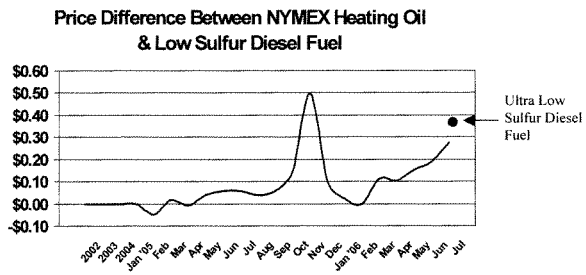
Costs Of Impending Regulations

	Cost/Engine	FET Revenue/Engine	Annual* Industry FET (in $millions)
Emission Certified Engines (10/02-1/07)	$12,500	$1,560	$500
Anti-idling laws:			
-Cab Heaters	$700	$90	$29
-Cab Air Conditioning	$3,000	$380	$122
Operating Costs (from emissions)			
-Loss in MPG	$2,000/yr	N/A	
-Cost of Fuel	$900/yr	N/A	

The result is an environment of increased equipment cost to the customer at a time when most other costs are also rising. In addition this situation increases the risk of technological change, because the innovator must immediately pass on additional costs (multiplied by the FET) to the market.

Fuel – Higher Cost, Lower Efficiency, Less Certain Supplies.

Federal regulation has the unintended effect of increasing the price of truck fuel, arguably the highest and best use of petroleum products.



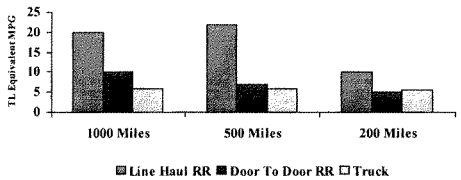
- Truck fuel is singled out for ultra low sulfur mandates.
- Multiple national and state fuel specifications increase refining cost and greatly increase the probability of spot shortages. Refining capacity is the critical link in the fuel supply chain
- Very low NOx emission regulations significantly degrade fuel economy in exchange for poorly substantiated health benefits. Mandated use of ethanol in autos increases NOx and the likelihood of shortages.

Ethanol is a good example of where Federal policy works at cross purposes. On diesel engines, federal regulations are dramatically reducing NOx emissions – at great cost. On gasoline engines, Federal subsidies (and possibly mandates) for ethanol promise to significantly increase NOx emissions.

Highest And Best Use: Transportation in general and trucking in particular qualify as a "highest and best use" of petroleum products. That is because trucking produces essential economic value and has no practical substitute for oil. Moreover, the lack of market barriers to entry insure that market forces will dictate the most efficient use of such a high cost resource – currently 30% of total trucking cost.

Modal Alternatives: Truckload trucking falls midway among the modal options with respect to fuel efficiency per ton-mile; well below barge and pipeline, well above air freight and parcel delivery. Market forces obviate the need for government regulations or subsidies, particularly given the complex nature of contemporary supply chain choices. Those supply chain calculations take into consideration substantial service difference between modes and the

Intermodal & TruckLoad Fuel Consumption



effect of consolidation expense and circuitry. In practice, there is little share shift between modes in our mature logistics landscape. Each mode has a well-defined niche. Note in the accompanying chart that intermodal rail service has a significant door-to-door fuel advantage over truck only at long hauls. Importantly, that advantage is often offset by service disadvantage and a limited route structure.

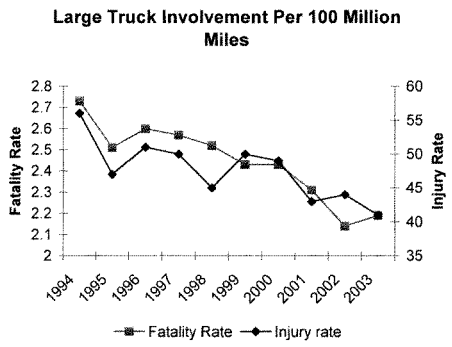
Refiner Limitations: Domestic refining capacity is the critical link in U.S. middle distillate fuel supplies. A combination of conservative investment and environment regulation have effectively halted refining growth. Since 1982, demand has grown 35%, capacity 1%. This problem is exacerbated by a proliferation of fuel specifications, often mandated by federal or state emission regulations. (There are seven federal specs and four more California specs, not including bio diesel.) Both conditions create an environment of high, unstable prices and spot shortages.

Competing Regulatory Priorities: Engine physics create a tradeoff between fuel economy and NOx control. Until recently, manufacturers were able to prevent absolute fuel economy declines as NOx emissions dropped. (The changes, however, did slow gains in fuel consumption.) Beginning with the 2002 engines changes, fuel economy has suffered absolute declines, 2% in 2002, 4-5% in 2007. We expect further reductions in 2010. This situation deserves legislative review because the very low levels of NOx emissions are not justified by well-documental health benefits.

Moreover, truck emissions are controlled at much lower levels than required from other NOx sources. Federal and state support for ethanol production and use is another example of competing priorities. Ethanol has poorly substantiated fuel benefits, at least with currently available technology. Moreover, ethanol is a strong producer of NOx emissions. The Wisconsin Department of Natural Resources Bureau of Air Management estimates that a 10% ethanol blend in state gasoline supplies would raise NOx emissions equivalent to that produced by a 350 Megawatt coal-fired power plant. It is clear that ethanol mandates are directly in conflict with the emission mandates applied to truck diesel engines.

Safety – Safe And Getting Safer While Getting Taxed For It.

Constant investment in safety is paying off in trucking. The industry is consistently getting safer and will continue to do so.



- Only 8.4% of total U.S. highway accidents involve a large truck. The large truck driver is at fault in only 30% of those accidents.
- Schneider National has added 14 different safety technologies to its vehicles since 1980 at a cost of $10,000 per vehicle. Only one of those was required by regulation. We have seven more under active study today.
- Despite the clear public benefit, all of these improvements are subject of 12.5% FET.

The root U.S. highway safety problem involves drivers of small vehicles who cause more than 97 percent of accidents. Auto fatality crashes increased 1.4% in 2005. Reducing the national speed limit would reduce fatalities at the same time it reduces fuel consumption and emissions.

Safety Is A Major Trucking Agenda: At close to 10% of total trucking costs, safety receives high priority in trucking fleets. Because safety is also closely correlated with other important business priorities (e.g., fuel, driver satisfaction) market forces can be trusted to keep the industry safe. This is shown at the aggregate level by the steady reduction in accident frequency (see above) and at the firm level by the consistent investment in safety technology. Since 1984, Schneider National has invested more than $7,500 per tractor in fourteen safety technologies only one of which was required by regulation. (We implemented that one – anti-lock brakes, two years before the regulatory deadline.) We expect to maintain that momentum through continued investment. We have seven technologies currently under evaluation including dramatic options like collision avoidance systems and lane departure warnings. Finally, we enhance safety through constant training (including simulators) and carefully enforced policies. (For instance, we do not provide cell phones due to safety concerns.)

Trucks are not the national safety problem. Heavy trucks are involved in only 8.4% of total national accidents. Of those accidents, only about 30% are caused by the truck driver. The rest are caused by the other vehicle's driver. That means that more than 97% of total accidents are caused by a non-commercial or small commercial vehicle driver. It is overwhelmingly clear that government safety policy should focus on those two segments.

Speed Limits Count: The simplest powerful thing that the Federal government can do to improve U.S. highway safety is to reduce speed limits. In 1987 when Congress authorized states to increase speed limits after the 1973 reduction to 55 MPH, the 38 states that increased their limits saw a 21% increase in fatalities. The states that kept their limits to 55 MPH saw no change. Engineers know the cause: stopping distance increase geometrically with speed. Large differences between vehicle speeds increase the frequency of accidents. Note that such a change would also reduce fuel consumption and emissions, both of which increase geometrically with speed.

Truck options: The most important factor when regulating or incenting safety in the heavy truck industry is uniformity across the industry. We are the collection of a wide variety of firms distinguished by huge variation in size. There are thousands of truckers who own only one truck; there are also six that own or control more that 10,000. Because of their size and relative sophistication, the large fleets receive a disproportional amount of regulation attention. That convenience is poor public policy because the large fleets are safer, given their scale and history of business success. It is important, therefore to apply regulation evenly across the industry. That means government must ensure that enforcement is possible among the small, hard-to-follow fleets before imposing new regulations. In the same way, legislators should avoid exemptions for vocational trucks (farming, construction).

Infrastructure – Increased Congestion, Inadequate Funding.

Highway congestion is a growing problem with substantial costs to truckers and their customers. Current funding is clearly inadequate to solve the problem and is increasingly diverted to other uses.

Congestion

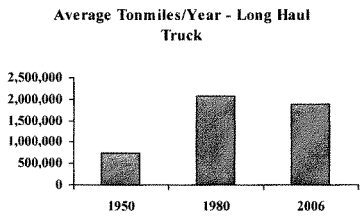
- The U.S. has effectively halted the expansion of its highway system (up only 5% in the last 20 years. Because highway travel has almost doubled over that time, congestion has increased substantially. The problem will likely get worse – current funding is not keeping pace with the cost of maintenance.
- Heavy trucks account for less than 5% of vehicle miles. They are only a modest contributor to congestion. However, the high-value nature of their travel means that they bear a disproportionate share of the congestion cost, 30% or worth almost $20 billion per year.

Funding

- Funding inadequacy is likely to get worse for two reasons: (1) the move to more fuel efficient passenger vehicles will reduce gas tax receipts, and (2) both federal and state government are diverting highway funds to other uses.
- Because heavy truck fuel economy is falling as a result of federal emission regulations (down 5-7% 2001-2007) our contribution to highway funding is increasing. Our total tax burden is increased even more given the excise tax on the capital costs of emission controls.

Funding reform requires regaining voter confidence in the fairness of the process. To do that, legislators must end the diversion of tax revenues and reform the earmarking process.

Congestion Reverses Costs Trend: Between 1950 and 1980 expansion of the U.S. highway system combined with increased size and weight limits to improve truck productivity 175%. Because margins in this competitive market did not change during that time the benefit flowed to the consumer, saving 56% on truck charges. Since that time, congestion has consumed 5% of those savings with more to come. We estimate that total highway congestion costs the nation's consumers almost $20B in higher truck charges per year. Because the truck driver cost is the largest truck cost – as driver costs go up so will the congestion burden.



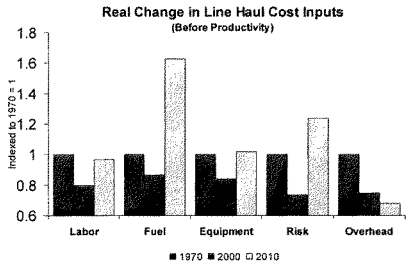
Truck Contribution: Heavy trucks account for less than 5% of national vehicle miles. Accounting for truck size and performance, they take up about 15% of highway space. They contribute less than that proportion to congestion because their miles are much less concentrated in peak periods. However, because the value of their travel is much greater than the average passenger trip the cost of congestion to trucking is higher. We estimate that heavy trucking bears 30% of the congestion cost, at least twice its contribution.

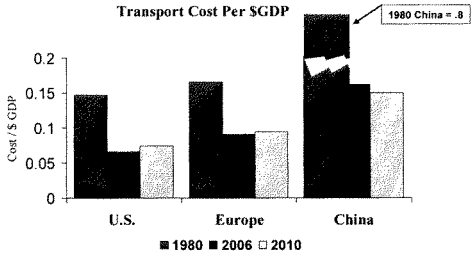
Funding adequacy: The U.S. Chamber of Commerce estimates that nationally we are almost 20% short of the funding levels needed to prevent further congestion ($42B). That short fall is created by the failure of funding to keep pace with construction inflation (the Federal gas tax is not indexed) and the diversion of highway to other uses (transit, general funds). Illinois and Wisconsin have diverted $3.3B of their highway funds to general funds uses during the last two years. This policy has two deleterious effects. First, the payers of highway use taxes grow resistant to those taxes when they are not returned to them as highway benefits. Wisconsin recently eliminated its gas tax indexing. Second, the highways are not sufficiently repaired and expanded. The clear, powerful economic benefit of our highway system should make it a priority for governmental spending. Moreover, the cost of offsetting deferred maintenance increases geometrically the longer you defer the maintenance.

Options: *Raising fuel taxes.* This option retains the classic virtue of a focused use tax. It also has the virtue of incenting fuel economy. For heavy trucks, some of the increase costs can be offset by revisiting the 2010 emission requirements, given their debatable health benefits. *Tolls.* Tolls fail the test of practicality for several reasons: the collection process increases congestion; drivers have the option of switching highways, merely displacing congestion; the charges apply all day long, not just during congested times; toll revenues are easily diverted to other uses. *Rail expansion.* This idea will not reduce congestion because railroads are poor substitutes for the regional and short haul truck moves that most frequently contribute to congestion. *Mass Transit.* Public transit reduces congestion only in the high density core of large older cities built before the automobile revolution. In the rest of the country, transit service may qualify as a social service but it does not reduce highway congestion.

Overall

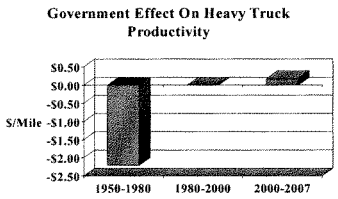
Heavy truck transport is at the core of the U.S. economy. Our unique six-million-square-miles market is based on the cheap, reliable transportation only available from heavy trucking. The post- WWII explosion in productivity has finally ended; improvements are getting harder. Productivity is actually falling. Government regulation and policy count. It used to work to reduce costs, now it increases them. We need to regulate wisely if we are to maintain our logistics advantage over our international trading rivals.





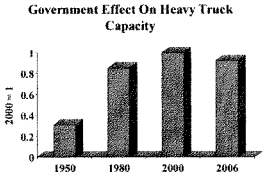
Transportation Contribution To GDP: The U.S. economy is unique in its collection of large, interdependent population and production centers separated by long *over-land* distances. The other large global land masses are either split by national boundaries (Europe, South America) or poorly developed (China, Russia). The U.S. links its far-flung markets with the globes' best transport infrastructure and most efficient transport. With over 90% of the revenue, trucking is at the core of that advantage. As a result, American manufacturers and consumers have access to the widest array of products and services at the lowest costs. (Ironically, the recent flood of Chinese imports is made possible by our very low transport costs.) U.S. producers spend the smallest fraction of GDP on logistics and enjoy the highest GDP per capital when measured by purchasing power, trailing only Luxemburg (very small and strong in financial services) and Norway (oil wealth).

Change In Trend: The U.S. is at a turning point in logistical development. After 220 years of declining costs (since 1776) costs are rising. A good deal of this change came through improvements in technology and management technique. However, in trucking, since WWII, more than half came from positive governmental intervention. During this period, the development of the high performance national highway system and the allowance of much large trucks reduced trucking costs by more than half. More recently however, such enabling policy has been replaced with tighter



regulation of hours of service and engine emissions. These policies increase cost. Because the maturity of the industry has also dramatically slowed, internal productivity improvements regulation cost increases now translate directly into costs increases for consumers. They are making the underlying costs increases in fuel and labor worse.

Capacity: These same dynamics apply to capacity. Until recently ,government had a strong positive effect on truck capacity (road improvement, vehicle size, deregulation). Now congestion and hours of service changes are reducing industry capacity by reducing productivity. They are importantly additive to the capacity problems resulting from driver shortages. The result is higher costs to shippers and increased volatility. We are close to the point where truck shortages may limit national economic expansion.



Policy Conclusions: There are two main policy conclusions. First, policy counts! In a mature transport market, increased costs driven by regulation are immediately visible to the consumer. They are no longer masked by improvements elsewhere. Second, the net direction of government investment and regulation has turned from a significant positive influence on transport costs to a negative. This change bears scrutiny given transportation's major contribution to U.S. competitiveness and prosperity.

STATEMENT of Rep. JON PORTER (R-NV)
House Transportation and Infrastructure Committee
Subcommittee on Highways, Transit, and Pipelines
September 7, 2006

Mr. Chairman, I thank you for holding this hearing today on freight logistics and the road ahead as seen by the users of the Highway System.

Freight logistics and the ability to move large amounts of goods from one distention to another is a key part of our nation's economic success. In Southern Nevada we are faced with the challenge of supporting our piece of this complicated puzzle and the 50 million tourist and 60,000 new residents we host each year.

According to the Federal Highway Administration (FHA), 41 million tons of freight moved within the State of Nevada in 2002 and the state received over 44.5 million tons of freight from external sources. As we continue to experience unrivaled growth in the region, and an increase in the demand for commodities to support our growth, we must consider alternatives that will have a positive impact on freight logistics and capacity.

The shortage of freight capacity on America's highways raises several concerns chief among those are safety and congestion. The FHA has determined that delays on our nation's highways result in over 243 million truck hours and cost over $7.8 billion per year.

As our states continue to address growth, energy concerns, and congestion we must incorporate freight logistics into our strategic planning and ensure that we are increasing capacity.

I am extremely interested in hearing the comments from my fellow subcommittee members as well as the testimony from the witnesses. I yield back

WRITTEN TESTIMONY

TIM YATSKO
SENIOR VICE PRESIDENT OF
WAL-MART STORES, INC.
BENTONVILLE, ARKANSAS

"FREIGHT LOGISTICS: THE ROAD AHEAD AS SEEN BY THE USERS OF THE HIGHWAY SYSTEM"

BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON HIGHWAYS, TRANSIT & PIPELINES

THURSDAY, SEPTEMBER 7, 2006

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WRITTEN TESTIMONY OF TIM YATSKO

SENIOR VICE PRESIDENT OF

WAL-MART STORES, INC.

BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

SUBCOMMITTEE ON HIGHWAYS, TRANSIT & PIPELINES

SEPTEMBER 7, 2006

Chairman Petri, Ranking Member DeFazio and distinguished members of the Committee:

Wal-Mart Stores, Inc. appreciates the opportunity to participate in this critical discussion. The transportation infrastructure of the U.S. is vital to the success of Wal-Mart and, we believe to the nation's economy.

Today, I will discuss Wal-Mart's logistics network and transportation strategy, as well as describe how we deal with congestion that has impacted us in the past and how we plan to deal with congestion in the future. We are hopeful our model and actions can provide insight into how we can all work together to keep the U.S. economy growing and thriving via the nation's highway transit system.

Background

My name is Tim Yatsko. I am Senior Vice President of Transportation for Wal-Mart Stores, Inc.

I began my career with Wal-Mart in 1990. I served in various positions in the private truck fleet division, including Quality Assurance Manager, and Director of Private Fleet Operations. I moved to the Direct Imports department as its Director in 1998 and was appointed Vice President, Direct Imports Administration and Logistics in 1999. Currently, as Senior Vice President of Transportation, I am responsible for product movement from suppliers to Wal-Mart distribution centers and product movement from distribution centers to stores. Prior to joining Wal-Mart, I worked as a Sales Representative for Sysco Foods and served as a Captain in the US Army from 1983 to1990.

Based in Bentonville, Arkansas, Wal-Mart is the world's largest retailer. The company employs more than 1.8 million associates worldwide and each week more than 176 million customers visit our stores. Last year Wal-Mart had net sales of $312 billion. In the United States, Wal-Mart operates more than 3,800 Wal-Mart Stores, Supercenters, Neighborhood Markets, and SAM'S CLUBs. Outside the U.S. Wal-Mart operates more than 2,200 units.

Overview

Wal-Mart owns one of the largest private truck fleets in the country. We believe our logistics network is one of the most efficient in the country. We are eager to share our model, to the extent that we can, in order to improve the nation's transportation infrastructure system and to help users navigate it in the most effective manner possible.

Wal-Mart's Role in Today's Hearing

As we understand it, Wal-Mart's role in testifying today is to provide the Committee our perspective, as a user of our nation's highway system, on the importance of a reliable and well funded transportation infrastructure system, particularly the highway system. In general, you asked us to discuss our model and how it works. Specifically, you asked us to touch upon the following issues:

- Given the shift toward just in time delivery over the past 10 years, how important is a reliable and well funded transportation system when making logistics decisions?
- What factors do companies like Wal-Mart use when making decisions on how to move goods from ports to distribution centers and from distribution centers to retail centers?
- Are there certain highway or other transportation "choke-points" around the country that Wal-Mart avoids because the delays associated with these "choke-points" add unnecessary costs to Wal-Mart's bottom line?

Overview of Wal-Mart's Logistics Network

Wal-Mart's logistics network includes 117 distribution centers ranging from 800,000 square feet to over 4 million square feet. These distribution centers service all our regional, grocery, fashion, specialty and SAM'S CLUB needs. As we increase the number of our stores, we must increase the efficiency and number of our distribution centers to maintain an efficient delivery network. We have four distribution centers scheduled to open in 2007.

More specifically, we have 39 general merchandise distribution centers including seven centers that exclusively handle our fashion needs. The average distance from these general merchandise distribution centers to a store is 130 miles. These distribution centers ship about 1.6 billion cartons a year.

Wal-Mart carefully plans and coordinates the outbound flow from the general merchandise distribution centers. After delivery, our trucks change from delivery mode to supplier mode and move products back to the distribution centers from our suppliers.

We dispatch on a regional basis, so a driver delivering to a store may in turn be required to pickup from a supplier, then head to a neighboring distribution center with that load, only to return toward home with yet another store load from the neighboring distribution center.

Further, Wal-Mart has 37 grocery distribution centers. The average distance from these grocery distribution centers to a store is 156 miles and the centers ship about 740 million cartons a year. Finally, Wal-Mart has distribution centers that service its SAM'S CLUBs, as well as specialty distribution centers dedicated to things such as tires, returns, imports, and online products.

How We Move Freight

Wal-Mart utilizes both a private truck fleet and third party carriers to move freight into and out of the distribution center network. Our private truck fleet consists of more than 8,000 drivers using 6,845 tractors and 43,650 trailers out of 42 terminals and 4 regional operating centers. Our drivers log about 916 million miles per year making 1.8 million store deliveries and 1.3 million backhauls from suppliers. Our fleet has been ranked the safest in the U.S. eight of the last nine years (ATA Large Fleet Category) and we experience a low annual turnover rate among our drivers of 4 percent. This fleet moves about 50 percent of our total freight volume.

In addition to our private truck fleet, as a shipper and receiver moving freight in and out of our distribution centers, we utilize a wide array of transportation modes including dry and refrigerated trucks, inter-modal rail, less than truckload (LTL) motor carriers, dedicated truck grocery carriers, small package and express carriers, air carriers and ocean carriers. We use barges, ships and trucks to service locations in Alaska, Hawaii and Puerto Rico.

Volume

Each year, inbound to its distribution centers, Wal-Mart moves 1.3 million loads on its own truck fleet; 1.4 million loads on over 160 different 3rd party carrier trucks, 500,000 loads on LTL motor carriers, and 350,000 SAM'S CLUB loads. Sixty-nine percent of our total loads are moved by truck, 20 percent by LTL motor carrier, 7 percent by small package carriers, 2 percent by ocean freight, and 1 percent by consolidators.

Logistics Strategy

Wal-Mart's logistics strategy is driven by its corporate strategy which is to (1) drive international growth; (2) broaden appeal to customers; (3) become an even better place to work; (4) improve operations and efficiency; and (5) make unique contributions to the community. The key focus of our transportation strategy is efficiency.

Maintaining the correct assortments by store and in-stock is the end goal. In order to meet this goal, we continually work to utilize leading edge technology to decrease lead time from suppliers to our store shelves. This allows us to maintain high in-stock levels and minimal inventory levels while keeping prices low.

When considering how to move goods from ports or distribution centers to our stores and clubs we take many steps in order to maintain logistics efficiency. We choose channels that are most cost efficient and reliable. As a rule, we believe cost efficient, reliable supply chains are

also the most environmentally friendly. We avoid transportation congestion risks by maintaining multiple channels or distribution points.

Daily, we confront and deal with exceptions to prevent lead time disruptions. These exceptions include traffic and transit delays and transportation capacity issues.

Wal-Mart's Transportation Strategy

Regardless of what occurs in the transportation environment, our transportation goals remain constant. We strive to always remain:

- Safe
- Secure
- Efficient
- Environmentally Friendly

A key element of remaining efficient is our focus on just in time delivery and improving driver and truck productivity. This is particularly challenging in congested metropolitan areas. In a sampling of metropolitan markets, Wal-Mart averages 21.26 percent fewer miles per tractor per week than in rural markets and 14.39 percent fewer miles per tractor than our entire fleet average.

As a transportation organization, Wal-Mart has successfully dealt with congestion for years. We innovate and work around congestion. While some methods simply cost us money, many ended up saving us money. Some of our methods to mitigate congestion and maintain truck/driver productivity include:

- Pick up and delivery operations
- Consolidation facilities
- Trailer pools that enable "drop and hook" delivery versus live loading/unloading
- Driver and delivery schedule changes (night versus day; weekend versus week day)
- Supplier pick up schedule changes
- Truck versus rail decisions
- Import Port-Split Strategy

Let me expand on that last method as an example. We began to experience an influx of imports into our network from overseas into Los Angeles in the late 1990s. The congestion in Los Angeles began to impact our ability to flow goods to our stores. So, we split our shipments to flow through ports on the East coast and Gulf to avoid congestion in Los Angeles. This strategy has been very successful for us, neutralizing both the costs and risks of congestion.

Key Challenges in the Transportation Industry

As successful as we believe our logistics and transportation networks are, we continue to face challenges that cause us to change. As Wal-Mart grows, we anticipate the following freight flow challenges within our logistics network:

- Highway Congestion
- Rail Network Capacity
- Driver Shortage
- Fuel Efficiency and Sustainability
- Import Gateway Capacity
- Security

We will address these challenges with the following strategies:

- Reduce the number of trucks and trailers on the road in metropolitan markets
- Keep our trucks safe, fuel efficient and environmentally friendly
- Keep our networks flexible to change as congestion conditions change
- Compensate for rail shortfalls with shifts of supplier ship points and use of trucks

In addition, a few specific initiatives we currently are working on include:

- Remaining governed at 65 miles per hour in our trucks
- Optimizing use of longer, higher cube trailers and double trailers where allowed
- Reducing packaging on all product lines;
- Utilizing hybrid diesel and energy recovery concepts to eliminate emissions
- Assist and advise state and national associations – seeking other best practices

While we believe Wal-Mart's associates and logistics network can deal with the challenges in the future transportation environment, we also believe we can work together with others in the industry, members of Congress and government officials to develop solutions for the challenges together.

The Department of Transportation projections are not promising with regard to congestion. The transportation infrastructure must be improved and expanded.

Conclusion

Thank you again for allowing us to participate today. We hope we have provided you with some insight into our transportation challenges and strategies. We are eager to continue sharing all we can into the future to make our nation's transportation infrastructure the best it can be.

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