

Testimony of Frederick W. Smith
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Committee on Foreign Relations
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Good afternoon, Chairman Kerry, Senator Lugar, and members of the Committee. I would like to thank you for giving me this opportunity to speak to you regarding one of the great challenges facing our country today: providing secure, sustainable and affordable energy to power the American economy.

I am proud to serve as Chairman of the Energy Security Leadership Council, alongside many distinguished business and military leaders, including my good friend, General Chuck Wald.

I am also honored to appear here after former President Carter. Very few understand the history of our nation's energy challenges—and the urgency with which we must face them—better than he.

I can speak to this issue personally. FedEx delivers more than 6 million packages and shipments per day to over 220 countries and territories. In a 24 hour period, our fleet of aircraft flies the equivalent of 500,000 miles, and our couriers travel 2.5 million miles. We accomplish this with more than 275,000 dedicated employees, 670 aircraft, and some 70,000 motorized vehicles worldwide.

FedEx's reliance on oil reflects the reliance of the wider transportation sector, and indeed the entire U.S. economy. Oil is the lifeblood of a mobile, global economy. We are all dependent upon it, and that dependence brings with it inherent and serious risks.

The danger is clear, and our sense of urgency must match it. This threat, however, comes coupled with a truly unique opportunity. Energy is in the headlines. It is being discussed both here in the Congress as well as down the street at the White House. Today, perhaps for the first time, there is a strong bipartisan understanding that something must be done.

That is my message to you today: this Senate can pass comprehensive, bipartisan legislation this year that will set the nation on a course to effectively eliminating our dependence on oil.

We can do this.

The lynchpin of any bill that is serious about confronting oil dependence must be a transportation system that today is almost entirely dependent on petroleum. The solution can be found in something that nearly every single one of you has either on your belt or on the table in front of you. The lithium ion batteries that power our cell phones and laptop computers can one day form the nucleus of an electrified transportation sector that is powered by a wide variety of domestic sources: natural gas, nuclear, coal, hydroelectric, wind, solar, and geothermal. No one fuel

source—or producer—would be able to hold our transportation system and our economy hostage the way a single nation can disrupt the flow of petroleum today.

And if our cars are to run on electricity, any bill we pass must guarantee it can get to them. We must improve the planning, siting, and cost-allocation process for a nation that has built only 14 interstate transmission lines subject to FERC's jurisdiction between 2000 and 2007. We must implement time-of-day pricing and build a smart grid. We must encourage companies to build those electric cars and consumers to buy them.

Each of these elements make up a highly-integrated system, in which every part depends on the other. We would see few results if we improved transmission in the northeast, created a smart grid in the northwest, and introduced more electric cars in the deep south. Indeed, it would be preferable to develop all of these elements simultaneously even in a limited geographic area, creating electric transportation 'ecosystems' where the concept can take root and grow.

Finally, it would be impossible to pursue those goals, and irresponsible to try, without safeguarding our economy and our nation in the short and medium term. We will still be using oil and other liquid fuels for many years even as we make this transformation. Increasing the domestic production of oil and natural gas, as well as advanced biofuels, is among the most effective near-term steps for improving American energy security.

I understand that this may seem contradictory. We talk about ending our dependence on oil, and in the next sentence about drilling for more oil. But the reason for this is simple: our safety and our security must be protected throughout the entire process. It would be ideal if we could simply snap our fingers and stop using petroleum today. But that is a pipe dream, not a policy. There are no silver bullets, and we cannot allow the perfect to be the enemy of the good—especially when faced with very real dangers to our economic and national security.

I realize, of course, that there are many other legitimate concerns relating to energy right now. Climate change, for example, is a high priority for many in this room and across the country.

Energy and climate change are, as you all know, related issues. That said, it is important to emphasize that the fundamental goal of reducing oil intensity is a distinct one that needs to be considered based on its own merits and the very real dangers of inaction. Put simply, pricing carbon as a standalone policy, whether through a tax or a cap-and-trade system, will not allow us to reach that goal. Carbon pricing will almost automatically target the power industry in general and coal in particular. The power industry, however, is responsible for a fairly small percentage of the petroleum we consume as a nation. So pricing carbon will not meaningfully affect the price of oil, the demand for oil, and therefore oil dependence.

On the other hand, the comprehensive plan to reduce oil dependence that I have described today will have a positive impact on our environment. Because electrification of transportation plugs energy demand from cars and trucks into the electric power system, it also consolidates emissions from millions of dispersed tail-pipes into a finite number of large-point power stations. We do not pretend that this can or will solve the climate change problem alone, but it can act as an important table-setter to put us on the right path.

The opportunity before all of you, and before our nation, is enormous. The investors and innovators who power the energy world, and those businesses like FedEx that are dependent on it, are waiting for an enduring, bipartisan plan. They crave a stable regulatory environment. They know that any policies forced into place by one party may very well be overturned in five or ten years by the other. A comprehensive solution passed by a bipartisan majority, however, will create the confidence to move forward.

We cannot afford to develop sudden amnesia about what happened only a year ago. Indeed, we may not have to worry. Oil prices are up by 70 percent since February. Can we continue tempting fate?

The policies I have laid out today have the potential to undo our oil policy gridlock by offering a bipartisan, achievable, comprehensive solution. That is not just an opportunity. It is a necessity. We have before us a responsibility, a mandate to put our nation on a pathway toward once and for all ending our dangerous dependence on petroleum and leaving a stronger, safer America in its place.

Our challenges are great, but so are our opportunities. It is time for America to act.