

Senate East Asian and Pacific Affairs Subcommittee

**The United States and the Pacific Rim:
Future Avenues for Economic Cooperation**

Tuesday, December 6, 2005

Testimony of Michael J. Higley, FedEx Express

Introduction

Thank you Chairwoman Murkowski and members of the subcommittee. My name is Mike Higley, and I am the Managing Director for the FedEx Express hub at the Ted Stevens Anchorage International Airport. I appreciate this opportunity to appear before this subcommittee on behalf of FedEx.

The purpose of my testimony is to:

- Highlight the success that FedEx has had in exporting our services to Asia and elsewhere;
- Demonstrate the critical role that FedEx and the Anchorage Airport play in U.S.-Asia trade; and
- Identify some opportunities for improving U.S. businesses' access to the global marketplace.

FedEx and the Anchorage Hub

Since inventing the modern air/ground express industry in the early 70's, FedEx has grown into a global services company with nearly 30 billion dollars in annual revenue and more than 250,000 employees and contractors worldwide. FedEx Express – FedEx's flagship express delivery company – has built the world's preeminent global express delivery network. That network links more than 375 airports and more than 220 countries and territories worldwide with a fleet of more than 670 aircraft, the largest air cargo fleet in the world. We sort and deliver

more than 3.2 million packages daily and connect more than 90 percent of the world's GDP in 1 to 3 business days.

The FedEx hub at Anchorage is a critical part of our global network of services and solutions. FedEx has been in Anchorage since 1986, and the Anchorage Hub is the lynchpin of our booming Asian business. The FedEx hub encompasses 500,000 square feet within the Anchorage airport complex, employs approximately 800 people and houses more than 125 regulatory and customs brokerage employees. More than 400 FedEx flights operate out of the Anchorage Hub each month, and we sort 60,000 packages per day at Anchorage on average. In support of continued growth in Asia traffic, we are expanding our sorting capabilities at Anchorage from 12,000 to 15,000 packages per hour by the end of next year.

Our success at Anchorage is thanks in no small part to Mort Plumb and his team at the Anchorage Airport. They are an incredibly forward-thinking group and just do an outstanding job.

FedEx in Asia

During the early 1980's, FedEx was one of the first companies to recognize the importance of extending its markets to points outside the U.S. We launched our international operations in 1984 and made significant investments in our international business over the next decade. In 1995, FedEx opened its first Asia Pacific hub in the Philippines at Subic Bay and launched a comprehensive intra-Asian overnight service through its AsiaOne network in addition to rapidly growing our U.S. export services. That same year, FedEx acquired the all-cargo route authority to serve China, becoming the sole U.S.-based all-cargo carrier with aviation rights to China.

Today, FedEx remains at the leading edge of industry innovation in Asia. As of March 2006, we will have a total of 26 frequencies to China – still more than any other U.S. cargo carrier. In September 2005, we launched the express industry’s first direct overnight flight between India and China as part of a round-the-world route that connects Europe, India, China and Japan with our hub at Anchorage and the FedEx SuperHub in Memphis. And in July 2005, we announced plans to open our new Asia Pacific hub at the Baiyun International Airport in Guangzhou.

Guangzhou is in the heart of Southern China’s Pearl River Delta – known as the “workbench of the world” – and the new FedEx hub will be the largest of its kind in Asia. It will represent a 150 million dollar capital investment by FedEx, with a total floor space of 82,000 square meters located on 155 acres. At start up, the new hub will employ 1,200 people, will have 228 flights per week, and will be capable of sorting up to 24,000 packages per hour. Simultaneously, we are also building up our services in Shanghai and elsewhere in China.

Importance of U.S.-Asia Trade and Opportunities

Clearly, succeeding in China and other markets in the Asia Pacific region will be the business challenge of the 21st century. So now, more than ever, it is clear that businesses need open access to the world’s markets, unfettered by anachronistic – sometimes protectionist – trade policies. FedEx has long been an industry leader in advocating free trade and open aviation markets. And, recently, the U.S. government has enjoyed much success in both the trade and aviation arenas. However, there is still much work to be done.

For example, on the air rights front, the U.S. government should continue to aggressively pursue bilateral Open Skies agreements throughout the world. In today’s global marketplace, FedEx and other carriers need to be able to schedule their flights based on market demands, not

on the arbitrary terms of restrictive aviation agreements. Opportunities that remain in Asia include such critical markets as China, Hong Kong and Japan.

On the trade front, the uninterrupted and efficient flow of goods across borders is essential to keeping an integrated global economy running smoothly. And customs clearance is critical to the seamless movement of trade. Therefore, FedEx supports the WTO Doha Round's objectives on trade facilitation. We support the establishment of multilateral disciplines on trade facilitation and, if possible, commencement of negotiations on a legal text in early 2006 for a trade facilitation agreement. Such a rule-based agreement would ensure harmonized, expedited treatment of express delivery shipments, would eliminate unnecessary customs barriers to those shipments, and would reduce transactional cost and time in cross-border trade.

Furthermore, FedEx supports the goals of the Doha Round's negotiations on further liberalization in services. Express delivery services still continue to face market access barriers on many fronts including postal monopolies that do not comply with the General Agreement on Trade in Services (GATS) rules. Thus, further liberalization in trade in services under the WTO context is critical to FedEx. If we can clear goods across borders efficiently but do not have the market access to provide our services, or if we can provide the services but cannot clear the goods efficiently, our business and the global economy will be impeded. Therefore, we support the successful completion of the Doha Round negotiations in 2006.

FedEx looks forward to working with the U.S. government on these and other opportunities to remove barriers to trade. The more we succeed in these areas, the more the Anchorage Airport, FedEx and other U.S. businesses will succeed in the global marketplace.

Again, FedEx thanks you for this opportunity to appear before you.

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