



Southern Legislative Conference July 19, 2011

David J. Bronczek
President & CEO
FedEx Express

Seated on stage among:

- **Gov. Bill Haslam**
- **Sen. Mark Norris, R-Collierville (District 32 Dyer, Lauderdale, Tipton & part of Shelby Co.)**
- **Speaker Beth Harwell, R-Nashville (District 56 Davidson Co.)**

DJB Opening Comments

- Governor Haslam, Speaker Harwell, Sen. Norris, honored guests... Good morning and welcome to Memphis, TN!
- On behalf of Fred Smith, I want to welcome all elected officials and their staff members to the 65th annual meeting of the Southern Legislative Conference. It is my understanding, we have guests from 15 southern states.
- I'd be remiss if I did not recognize Tennessee Senate Majority Leader Mark Norris and acknowledge his efforts to make this annual meeting a success.
- Putting on a meeting of this size takes tremendous efforts.....again, thank you Senator Norris and your entire staff.
- FedEx is proud to call Memphis our home. Let me take this opportunity to tell you a little about the history of FedEx, and how we grew to the company we are today...

FedEx History



- **June 1971** – Federal Express incorporated.
- **April 1973** – Began operations in Memphis. On April 17, delivered 186 packages to 25 U.S. cities.
- **Mid 70s** – Lobbied for air cargo deregulation, which finally came in 1977. Change allowed larger aircraft and spurred rapid growth.
- **February 1989** – Acquired Flying Tigers and its routes to Europe and Asia.
- **1998** – Formed FedEx Corp. and acquired Caliber Systems Inc., which added a broader portfolio of services.
- **2001-2004** – Acquisition of additional companies which became FedEx Freight, FedExOffice and FedEx SmartPost.
- **2005 – present** – Ongoing acquisitions enable FedEx to expand its services throughout the world.

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- We are extremely proud to be a Memphis-based company, and equally proud of our relationship with the city
- Fred Smith started with an idea that almost everyone he approached thought was unworkable. Few could see the need for a nationwide overnight delivery service. Undeterred, Fred Smith incorporated Federal Express in 1971.
- The first run for Federal Express in 1973 at the Memphis airport included 12 major cities and proved to be disappointing with only seven packages delivered overnight. After rethinking strategy, FedEx made a second run, delivering 186 packages. It was a shaky start but by the end of 1973 package volume had increased to 1,500 per night.
- Later that decade, FedEx spearheaded a determined lobbying campaign to change outmoded airline regulation limiting the size aircraft that could carry only cargo.
- This lobbying effort paid off in November 1977 when President Jimmy Carter signed the law allowing FedEx to use larger aircraft, eliminate geographic restrictions and to control our own pricing. FedEx moved into a new era and by the end of the 1970s was approaching daily volume of 100,000 packages.
- While the early days are legendary, today's FedEx has grown up into a \$39 billion network of companies, offering just the right mix of transportation, information, document management and supply chain solutions. And FedEx still backs its services with the "absolutely, positively" spirit customers expect from the trusted FedEx name.

Facts About Today's FedEx

- **FY11 Revenue:** \$39.3 billion, up 13% from previous year
- **Average Daily Volume:** More than 8.5 million shipments for express, ground, freight and expedited delivery services
- **Service Area:** More than 220 countries and territories, including every address in the U.S.
- **Workforce:** More than 290,000 employees and contractors worldwide
- **Air Operations:** 668 aircraft, 375 airports served worldwide
- **Ground Fleet:** More than 80,000 motorized vehicles for express, ground, freight and expedited delivery service
- **fedex.com:** More than 15 million unique visits monthly, more than 3 million tracking results daily



Today's FedEx: Solutions That Matter



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- Today's FedEx is a family of companies. We are organized around three core transportation segments and our Services segment. FedEx companies operate independently but collaborate to provide a full range of solutions that matter for businesses and organizations of all sizes and missions.
- We pride ourselves on being total solutions provider for all of our customers' worldwide shipping needs
- We are truly global company with networks reaching 95% of the world's GDP within 48 hours or less
- I am extremely proud of our 290 thousand FedEx people around the world who I firmly believe deliver the best service available in the shipping industry.

FedEx Operating Companies



- **Largest express transportation company, providing fast, reliable delivery to every U.S. address and to more than 220 countries and territories**
- ***Reporting to FedEx Express are FedEx SupplyChain and FedEx Trade Networks***



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FedEx Operating Companies



- Specializes in cost-effective, small-package shipping
- Offers dependable business-to-business delivery or convenient residential service through FedEx Home Delivery and FedEx SmartPost.



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FedEx Operating Companies



- Provides differentiated freight solutions for customers in North America who value service consistency and reliability
- Offers service to the U.S., Canada, Mexico, Puerto Rico, Central and South America, the Caribbean, Europe and Asia
- *Reporting to FedEx Freight are FedEx Custom Critical and FedEx MultiModal*



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FedEx Operating Companies



- Coordinates sales, marketing, information technology, customer service, and worldwide supply chain solutions support for the global FedEx brand
- *Reporting to FedEx Services are FedEx Office and FedEx TechConnect*



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Recent FedEx Awards

- FORTUNE magazine: No. 8 among "World's Most Admired Companies" (2011)
- Top 15 on FORTUNE's Most Admired list for 10 years straight
- FORTUNE magazine: "100 Best Companies to Work For" (2010)
- Dow Jones Sustainability Index – North America (2010)
- Hay Group 2010 Best Global Companies for Leadership
- FORTUNE magazine: "Top Companies for Leaders" (2009)
- Top workplace awards in Central America, Argentina, Brazil, Italy, Ireland, France, Belgium, Mexico, Netherlands, Spain, Chile, Korea, Poland and Canada

FORTUNE
WORLD'S MOST
ADMIRABLE
COMPANIES 2011

HayGroup®



FORTUNE®
100 BEST
COMPANIES
TO WORK FOR 2010

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- FedEx team members and the FedEx culture form the foundation of our success and the key to our future. We appreciate, believe me, the outstanding performance they turn in every day.
- Our people are the biggest asset that FedEx has in the marketplace. It is to their credit and entirely because of them that we were recently recognized in the top ten of Fortune's Most Admired Companies worldwide.
- Furthermore, I think it's important to remember that the work we do at FedEx every day is vitally important to global commerce. FedEx team members enable the flow of goods and information around the world. We help turn dreams into reality for people and we improve the quality of life for tens of millions of people around the world.
- The second point I'd like to make is that our customers are at the heart of everything we do. We must make every FedEx experience outstanding – that's our Purple Promise.

FedEx in Memphis: Approx. 31,000 Employees

Memphis World Hub:

Sort capacity: 475,000 pieces / hr	1.5 M packages nightly
500+ acres	175 aircraft gates
3 million sq. feet sorting space	42 miles of conveyer belt



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- Extremely proud to be a Memphis-based company, and of our relationship with the city
- While you sleep, we work our magic.
- Spread over five miles near Memphis International Airport, the FedEx Express World Hub operates like a finely tuned machine.
- More than 5,000 flights pass in and out of the Memphis World Hub each month.
- Packages of every size and shape traverse through a maze of conveyer belts and sort systems.
- Our World Hub operates with one mission in mind: No FedEx customer should wake up disappointed in the morning.

FedEx in the Southeast U.S.

- More than 103,000 employees



- Approx. 3 million total shipments handled daily
- Take-offs & landings at every major airport
- Pick-up and delivery service to every address



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FedEx Express only: Over 116 million square feet of properties in the 15-state SLC region; rents and leases totaling more than \$164 million.

FedEx Employee Population in the 15 States of the SLC

Alabama	1,805
Arkansas	3,325
Florida	11,148
Georgia	7,374
Kentucky	2,384
Louisiana	1,751
Mississippi	1,467
Missouri	4,373
North Carolina	5,612
Oklahoma	1,492
South Carolina	1,725
Tennessee	33,864
Texas	17,976
Virginia	3,894
West Virginia	913
SUB TOTAL	99,103
Ground Ind. Contractors	4,442
GRAND TOTAL	103,545

Powering the Global Economy



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FedEx is helping power the economy on a worldwide scale.

- In today's world, commerce is not defined so much by geography, but by the belief that almost anything is possible. FedEx has played a part in creating that expectation as its network of companies provide unprecedented access to the modern world. And FedEx delivers on that promise millions of times a day, transforming possibilities into reality.

Macro-Economic Trends Fueling Growth of Worldwide Shipping



- Increase in High value / Value-added goods
- Fast-cycle Logistics
- The Internet & E-commerce
- Increased Access & Globalization of Trade

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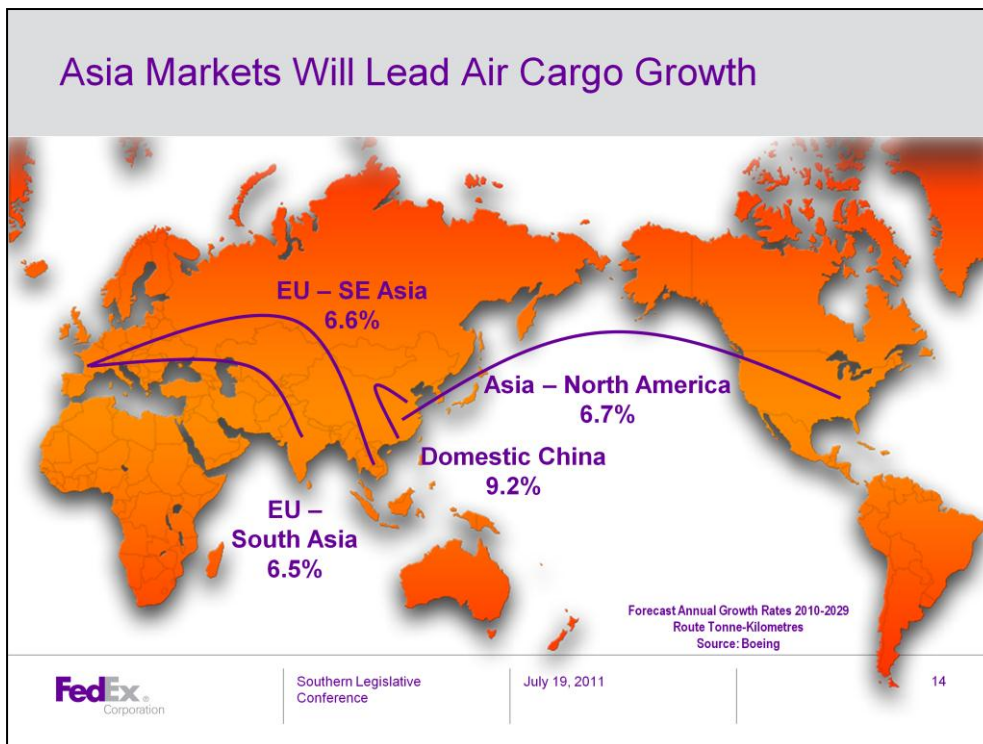
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Four macro-economic trends are fueling growth of worldwide shipping:

1. World has seen steady increase in **high-value and high value-added goods**. Main reason why world was ready for overnight delivery in the 1970s. The more valuable an item is, the faster people want it in their hands. The total weight of the U.S. economic output – all the goods produced – has barely increased over the last 50 years. But over that same period, the value of those goods is five times greater.
2. Second trend is the **speeding up of the cycle time in our supply chains and logistics processes**. More than ever before, time is money. Consumers aren't willing to wait. Just-in-time is now an ingrained best practice in the business world. As the fastest mode of transportation in most cases, you can see how this trend has driven demand for air cargo services.
3. The growth of the **internet and e-commerce** just adds fuel to the other trends. Consumers no longer feel limited in any way to the goods available at their local department store or in whatever catalogs they might receive. Internet gives small and mid-sized companies the same access to markets as large companies. Anyone can order goods from just about anywhere, any time they want.
4. Lastly, **global trade** will continue to grow faster than any one country's economy. In 1970, 10 cents of \$1 of U.S. GDP was related to international trade. Today, it's about a quarter and growing. International air cargo accounts for only about 2% of the tonnage moved, but over 40% of the value.



Asia markets will lead Air Cargo Growth

- The research firm Global Insight projects compound annual growth rates of between four and eight percent among the five key regions of the world, led by Asia and United States.
- This slide illustrates the four highest air cargo growth markets over the next fifteen years. The data is from Boeing market research. The metric is route tonne-kilometres.
- Asia plays a prominent role in the four highest growth trade lanes for air cargo.
- Intra-China air cargo is the highest growth market overall, forecast to grow nearly ten percent annually.

Emerging Markets

- The long-term growth of the global air express business will be driven by the movement of high-tech and high value goods within and between countries that we consider emerging markets.

Access is Changing What's Possible



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- **Greater access to information and physical materials across borders and time zones has transformed contemporary business, including the way companies operate, innovate and create value. Market reach is continuously expanding across regional and national boundaries.**
- **Access is changing what's possible. Access enables participation, interaction and exchange among people, businesses and nations. Simply put, access is *opportunity*. Opportunity for economic growth and improving human welfare.**
- Access will play a vital role in economic growth. Trade already sustains millions of American jobs. That's why exporting is good for American business, good for American workers and good for American jobs.
- We need to open more markets abroad for our goods and services in order to create those jobs.
- Let me just frame the magnitude of the growth opportunity that global trade presents for our industry and for the American economy in general.
- In the 30 year period from 1975 through 2005, the world's GDP grew over 150%. Over that same time span, global trade grew over 350%. Air cargo grew nearly 1,400%.

Industry Challenges



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- **Protectionism** will not keep America or any country competitive in the long run. We live in a truly borderless economy, and our trade practices must reflect that. That's why we must urge Congress to pass free trade agreements with Colombia, Panama and South Korea. Your Chambers of Commerce support these agreements because they are good for state economies.
- **Safe and secure operations** are a FedEx priority that will not be compromised. FedEx believes that the best security approach is a combination of security procedures and processes, new technologies, law enforcement intelligence and collaborative efforts between the government and business sector.
- **Fuel Prices:** Nothing demonstrates the danger of our dependence on foreign oil more than the recent run-up of gas prices. Right now 60 percent of our petroleum is imported, as compared to 30 percent in the 1970s. That puts a huge dent in our balance of payments account--around a billion dollars a day. Ninety percent of all oil reserves are now owned by national oil companies, many of which are located in countries with ambivalence or antipathy toward us and our way of life. Our dependence on these sources means that foreign petroleum is an enormous national security issue as well as an economic one.
- **Infrastructure** development is key to the future of air transportation – both passenger and cargo: Air traffic system in the U.S. is congested now, getting worse and badly needs upgrading to handle projected capacity safely and efficiently. The FAA Re-Authorization bill that passed in Congress will establish "Next Gen" (Next Generation Air Transportation System) which is a comprehensive overhaul of our national airspace system to make air travel more convenient and dependable, while ensuring flights are safe, secure and hassle-free if possible.
- **Customs clearance** issues are very important to global shippers. FedEx works well with Customs in MEM and globally. Our challenge is to find secure and effective ways to use information technology to ensure the customs process is not the bottleneck in the whole international supply chain. We must streamline processes and find a single global customs clearance system

Sustaining Business Vitality



- **Allow the “free market” to flow**
- **Fair and just oversight and regulation**
- **Stimulate business growth through a friendly tax structure**
- **Jumpstart research and innovation**



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It is a proven fact that the ebb and flow of supply and demand, the constant uncertainty of the world economy, or the unexpected flash of a natural disaster can have an instant impact on any business venture.

However, the one certainty that can undeniably make or break the business community lies within the walls of Government. The men and women who write and ratify the laws of the land ultimately control the destiny of corporate America. With a majority vote and the swipe of a pen America's leaders can deploy a positive or negative impact instantly on business.

Although much of the attention around the boardroom table and in the media revolves around the many negative effects government bestows, there is good reason to discuss what Uncle Sam “CAN DO” for the business community. For example, those areas where state and federal legislation can play a role in sustaining business vitality include:

- **Allow the “free market” to flow**...develop legislation that creates opportunities for the working class to invest in themselves, start small businesses, make financial decisions on their own and build competition.
- **Fair and just oversight and regulation**...limit government regulation and roll back erroneous laws that open the door to groundless lawsuits. Overregulation hampers economic growth and stifles efforts to create jobs.
- **Stimulate business growth through a friendly tax structure**...Government subsidies that include tax cuts, tax credits, grants, and low interest loans can complement private funds to support company initiatives that align with government priorities such as job growth.
- **Jumpstart research and innovation**...beat the rest of the world to the punch and eliminate dependence on foreign product. With innovation comes growth, growth strengthens the economy.

All of this can be achieved by Government and business working together to create a legislative agenda that supports the foundation of a free market. Ultimately, state and federal legislation can be an asset in creating a smooth pathway for a successful business.

Thank You!



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- Thank you for allowing me to speak to you today – It's a tremendously exciting time to be in this business. I am very proud of the role we play in helping providing greater access to goods, to customers and marketplaces around the world.