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Thomas F. Jensen is a Vice President in the Washington, DC office of United Parcel Service. In this capacity, he focuses on a myriad of surface transportation public policy issues including commercial vehicle fleet matters, ocean freight shipping, railroad and intermodal transportation, grassroots lobbying activities, legal compliance, while also serving as the Public Affairs liaison with UPS Supply Chain Solutions.

Mr. Jensen began his United Parcel Service career in the Corporate Public Affairs Department in 1990, and has since held a variety of assignments including UPS Operations, Business Development, Human Resources and in the Corporate Legal Department. From 1996 to 2000, he served as a Region Public Affairs Manager, where he was responsible for state legislative, regulatory and political activity, as well as federal grassroots activity, in a seven-state Midwest and Mid-Atlantic territory. He joined the Washington, DC Public Affairs office in January of 2001.

Prior to joining United Parcel Service, Mr. Jensen served as a campaign aide to former Congressman Stewart B. McKinney (R-CT), managed a congressional campaign in Connecticut, and worked for both a political fundraising firm and later a grassroots lobbying firm, in Washington, D.C.

Mr. Jensen earned an undergraduate degree in Government from the College of William and Mary, a master's degree in Public Administration from American University, and a law degree from the University of Bridgeport (CT). He is admitted to the bar in Connecticut and Pennsylvania. Tom lives with his wife Kathy and four children in Oakton, Virginia.

Testimony of
Thomas F. Jensen
to the National Surface Transportation Policy & Revenue Study Commission
at a Field Hearing in Chicago, Illinois, April 18-19, 2007

Thomas F. Jensen
Vice President
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Thank you, Mr. Chairman, and members of the Commission for affording UPS the opportunity to share our views on the important work undertaken by the Commission.

As you are probably well aware, UPS operates one of the world's largest, most sophisticated, intermodal transportation service networks. On a daily basis, UPS delivers more than 15.6 million packages and documents to 7.9 million customers in more than 200 countries and territories around the globe. UPS handles more than 6% of U.S. GDP and 2% of the global GDP every day. Founded in Seattle, Washington in 1907, this year UPS is proud to celebrate our 100th year of service excellence.

In order to move the sheer volume of commerce within the UPS system, we have increasingly relied upon a highly complex, yet integrated, multi-modal worldwide network. The UPS airline fleet is the eighth largest in the world, with more than 1,100 daily flight segments. Collectively, in 2006 our 80,000 domestic commercial motor vehicles traveled more than 2.5 billion miles and consumed more than 340 million gallons of gas and diesel fuel. UPS also remains one of the nation's leading intermodal transportation service providers, as we tender more than 3,100 trailers, containing almost 3.4 million packages, to the Class I Railroads every day, making us the single largest corporate customer of the Class I Railroads. The combined 2006 railroad spend for UPS and our Supply Chain Solutions subsidiary exceeded $1.5 billion.

The UPS transportation network also includes the largest cellular communications system in the world.

In addition, UPS has actively developed logistics and global supply chain management solutions for customers around the globe. As UPS service offerings reflect customer demand for international transportation solutions, a healthy and vibrant U.S. transportation infrastructure network remains not only a critical partner in meeting the needs of our customers in the United States, but also throughout the world.

The Commission is well aware of the challenges facing the nation's surface transportation infrastructure network. A lack of new highway and rail capacity, population shifts and demographic changes, the proliferation of international trade, and significantly increased demand, from both individuals and commercial interests, tax an already overburdened, aging system. From the UPS perspective, congestion, lack of fluidity, and increased time-in-transit pose a significant threat to our ability to service our customers and to our nation's international competitiveness.

UPS would like to play a role in developing a National Freight Policy to address the commercial aspects of this issue. As the Commission has heard numerous times throughout its deliberations, it is estimated that freight volume will increase significantly in the next two decades (according to FHWA, multimodal freight tonnage will increase 70% by 2020). Today's current transportation gridlock cries out for policy initiatives to enable commerce, grow our economy, and provide for more seamless goods movement. We need to continue to have a strong federal transportation program focused on international and interstate trade and goods movement.

The highway component of our surface transportation network continues to face extreme funding pressures. By all accounts, the Highway Trust Fund will encounter a significant financial shortfall as early as 2009. Diversion of Highway Trust Fund money to projects that are not of the highest national importance further dilutes scarce Trust Fund resources and places additional strain on the system. According to AASHTO, the Interstate Highway System represents one percent of total highway system mileage, but carries 41 percent of combination-vehicle truck traffic. Clearly, the current funding apparatus is not adequate to support our national interstate network.

Although the concept of public-private partnerships may have value, they are not a panacea for lack of capacity, increased highway congestion, and lack of mobility. We are particularly troubled by long-term leases of existing toll roads. Although politically expedient for state governments, these arrangements thus far appear to represent short-term gain in exchange for long-term pain. Without question, commercial motor vehicles will bear the brunt of the financial burden for these projects, some of which siphon off critical transportation funds to other state programs. The jury is clearly out on the value of leasing public infrastructure to private entities that may very well prove to be less responsive, accountable and receptive to changing transportation dynamics and, more importantly, to the users of the system.

Congestion pricing schemes are bad public policy choices as well. If a worthy goal for our nation's surface transportation policy is to improve goods movement, the notion of changing behavior by implementation of draconian policy initiatives that discriminate against commercial activity is a formula for failure. One obvious conclusion to the genesis of our current quagmire is the simple fact that although vehicle miles have increased dramatically during the past 25 years, lane miles are relatively flat. Greater surface transportation capacity, or more productive use of existing capacity, is needed for the transportation network to meet future economic demands.

The state of America's freight rail network faces similar challenges. In a post-Staggers Act environment, a "perfect storm" has created a rail renaissance for the country's Class I Railroads. Throughout the past twenty-five years, the railroads have been successful in shrinking the rail network and reducing capacity, forcing some rail customers off the network, while increasing rates to many rail shippers. During this period, rail service indices have stagnated which has, in some rail customer segments such as intermodal, forced freight from the railroads back to the highways, exacerbating highway congestion. Given the explosion of international trade with Asia, the rails enjoy unprecedented pricing power and continue to demonstrate monopolistic behavior in the transportation marketplace.

To their credit, in recent years the railroads have made a concerted effort to increase infrastructure capital expenditures. This effort has been beneficial to the rail network, yet significant challenges and bottlenecks remain. The notion of an investment tax credit, while theoretically a sound principle, will not alleviate the rail networks capacity problems. In order to promote a productive balance between railroad economic fortunes and the interests of shippers, additional public funding mechanisms for freight rail infrastructure, with a limited government role, should be considered.

The railroad industry also needs to continue to focus on technological platforms to enhance rail fluidity, decrease time-in-transit, and improve service metrics. For example, Positive Train Control Systems add capacity and are long overdue. Advances in technology can bring legitimate value to rail customers, while benefiting the network, as well as rail shareholders long-term. Regrettably, most Class I Railroads have been slow to invest and implement these innovations.

The highway and rail networks are indeed interdependent. Given the demand, there is room for both modes to not only coexist, but to thrive. A closer linkage, and greater coordination, between prioritization of infrastructure projects, intermodal initiatives, and congestion relief would benefit both transportation modes and our nation's economy.

As the Commission is well aware, the litany of surface transportation challenges is easy to recite; however, developing a consensus on proposed solutions is a considerably more difficult task. From a National Freight Policy perspective, one idea whose time has come, and which has been raised by many stakeholders in this debate, is increasing the federal gas and diesel tax to generate additional Highway Trust Fund resources. The fuel tax, last raised in 1993, has clearly been eroded by inflation and by all accounts is insufficient to fund today's needs. Indexing the fuel tax to inflation, or raising it a specific amount to neutralize inflation, is a notion that highway users have not traditionally supported. The stakes are so great, however, that tough political and business decisions dictate a responsible solution to the challenge at hand. New fuel tax funds could be directed to a "Freight Corridors Initiative," a program designed to fund highway projects having the greatest potential for improving goods movement. The focus of this effort would be to finance projects identified to provide congestion relief at bottlenecks on corridors that have the most significant impact on freight flows.

In addition, under at least one scenario, UPS could support additional toll roads. Tolling authority for new highway capacity, where it is optional for commercial vehicles, is something that would make sense and that UPS and many in the trucking industry could support. In contrast, tolling of existing capacity is both inequitable and inefficient. Forcing new tolls for commercial vehicle traffic on existing highways would merely increase transportation costs, while creating additional, inefficient tolling bureaucracies.

As one of the nation's largest corporate surface transportation stakeholders, UPS has a keen interest in the recommendations made by this Commission. As the Commission considers a variety of funding mechanisms to restore our surface transportation network to greatness, UPS hopes you will consider the crucial role transportation plays in our economy. As trade barriers fall, markets open, and multi-modal goods movement around the globe becomes seamless, our highway and rail infrastructures have become even more critical to our nation's economic competitiveness. With this in mind, UPS remains willing and ready to assist as the Commission moves the nation forward toward greater economic prosperity.