

“Creating a More Accessible World”

Frederick W. Smith, Chairman and CEO, FedEx Corporation

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It’s a pleasure to be here with you today. I believe it’s been about a decade since I last addressed this group, but I am well aware of the great work you continue to do on a wide variety of issues—everything from drones to space travel to aviation security. Thank you for being such a strong and active advocate for our industry! You’re making a difference in the future of aviation.

As you know, this year marks the 40th anniversary of the passage of the Airline Deregulation Act, and I’ve come here today to celebrate the benefits of deregulation to FedEx, aviation, America, and the world at large.

- This policy has helped create a vibrant arena of global trade and cultural exchange.
- At FedEx we connect people and possibilities, and nothing has helped us do that more than a deregulated industry.

Speaking of FedEx, let me show a brief video that gives you an idea of how we’ve grown in the 40 years since deregulation.

Without deregulation, we and the other airlines attending today would have faced a very different and restricted future. Let me give you a brief historical perspective on deregulation and the evolution of FedEx.

We officially began operations April 17, 1973, with 389 team members.

- That first night, 14 small aircraft took off from Memphis and delivered 186 packages to 25 U.S. cities—from New York to Florida.
- The company did not show a profit until July 1975, but it soon became the premier carrier of high-priority goods in the marketplace and set the standard for the express shipping industry it established.
- By the mid-1970s, it was obvious Federal Express could not meet market demands unless we flew larger aircraft, and flew those aircraft wherever the market demanded. FedEx became a leader in lobbying for air cargo deregulation, which was legislated in 1977.
- Deregulation was essential because it allowed the company to use larger aircraft (Boeing 727s and McDonnell-Douglas DC-10s) and spurred rapid growth.
- Today FedEx Express has the world's largest all-cargo air fleet, including Boeing 777s, 767s, 757s, MD-11s, and Airbus A-300s and A-310s.
- By the 1980s, and because of deregulation, Federal Express became well established. Its growth rate was compounding at about 40 percent annually, and competitors were trying to catch up.
- In fiscal year 1983, FedEx reported \$1 billion in revenues, making American business history as the first company to reach that financial hallmark inside 10 years of startup without mergers or acquisitions.
- Today FedEx is a \$67 billion company with more than 425,000 team members around the world.

A corollary to domestic aviation liberalization, open skies agreements give the aviation industry access to foreign markets and remove barriers to competition.

Open Skies provides opportunities for customers across the world in the same way domestic deregulation provided opportunities for U.S. customers. Today the U.S. has open skies agreements with more than 120 partners.

These agreements create tremendous benefits for America.

- They create U.S. jobs particularly in aerospace, travel, and tourism.
- The U.S. Department of Commerce has estimated that every \$1 billion in aircraft orders supports about 6,000 American jobs
- It's predicted that over the next 10 years, open skies cargo services will create almost 350,000 *new* jobs and add \$900 billion to our economy.
- By the way, FedEx, UPS, and Atlas directly employ over one million people, and the economic activity generated by their market connectivity creates more *related* jobs as well.
- Exporters benefit from Open Skies connectivity. U.S. cargo carriers use Open Skies rights to connect exporters to new markets.
- Made-in-America manufacturing benefits too. Open Skies agreements have prompted overseas carriers to buy American products. The three Gulf carriers, for instance, have over 300 Boeing aircraft in use or on order. Without Open Skies, those airplane orders could easily have gone to Airbus, shipping thousands of U.S. manufacturing jobs to Europe.
- Travelers enjoy lower fares on routes affected by Open Skies agreements. Economists have noted that airfares have fallen 32% on such routes as compared to regulated markets. It's been estimated that Open Skies agreements have generated at least \$4 billion in traveler cost savings.

Beyond America, liberalized aviation has opened the world.

- The U.S. State Department reports that since liberalization, countries with agreements have experienced “traffic growth,” of between 12 and 35%. In some situations, growth exceeded 50%.
- Here’s another tidbit from the State Department: A simulation of the likely results of liberalizing 320 country pair markets *not in open skies* mode was conducted. The simulation found that those 320 agreements would create 24.1 million full-time jobs and generate an additional \$490 billion in GDP. That’s an economy almost the size of Brazil!

Upholding existing agreements and seeking out new opportunities is exactly how the U.S. will be able to realize the economic benefits of Open Skies and continue leading the world in aviation. I’m confident we also agree that retreating from Open Skies would have the opposite effect: it would stymie American leadership and economic growth, while also sending the wrong signal to our trading partners.

Turning our back on Open Skies would empower other countries such as China to retreat from opening their markets, and ultimately lead to the unraveling of the Open Skies regime around the globe.

- Let me explain the importance of Open Skies to cargo carriers like FedEx. U.S. cargo carriers use 3rd, 4th, and 5th freedom rights throughout the world. Cargo traffic largely moves in one direction, unlike passenger traffic, and 5th freedom rights are essential for cargo – which is exactly why we were pleased that the recent U.S./UAE discussions preserved 5th freedom rights for all carriers, both U.S. and UAE.

- Looking ahead, the U.S. should continue its strong record of honoring Open Skies agreements and 5th freedom rights throughout the world.

The Trump Administration should be applauded for its support in maintaining the historically bipartisan commitment to the Open Skies regime.

Of course, the importance of Open Skies is much greater than the economic growth of a single country, be that the United States or China or Germany. The principles of Open Skies permeate all facets of the world economy, particularly global trade.

- FedEx is a strong supporter of trade. We help to enable it through our unparalleled global networks, and we see the benefits of trade every day in our business. FedEx jobs are trade jobs.
- History demonstrates that people have always wanted to travel and trade. Their doing so propelled global growth and lifted millions out of poverty.
- Despite the current tension, trade will continue because people will demand it. As incomes rise people will want access to more goods and services and greater economic opportunity.
- People talk a lot today about unfair trade relationships and the need for reciprocity. Fairness and reciprocity are important goals. And there are some practices and barriers that are unjustified and need to be stopped. Countries should adhere to the WTO commitments they made.
- But trade liberalization has always been a series of compromises. Every country has sensitive, protected industries, including the U.S. If you want examples just look at our protections on sugar, cotton, apparel, and trucks.

We should not judge the entire value or fairness of our trade relationships by focusing only on the relatively small number of protected sectors.

- We should instead focus on the thousands of tariffs and non-tariff barriers that can be reduced or eliminated, and the enormous economic value that could result. That value will far outweigh the few sectors that continue to receive political protection.
- That's not to say we shouldn't push to reduce some of those difficult barriers, but let's not let the perfect be the enemy of the good.
- The great news is that global trade imbalances are declining. The U.S. trade deficit as a percentage of GDP is 2.4%, down from its recent peak of 5.8% in 2006. China's trade surplus is 1.4%, down from 9% in 2007. This will continue as China and other developing economies become more consumer and service oriented
- The innovations and improvements in the transportation and communications sectors have dramatically changed the nature of trade. Today, anyone can order something from their phone and receive it within a few days or even the same day.
- Consumers and exporters, especially small businesses, are reaping the benefits of global e-commerce. An article in Business Insider says that 81% of small businesses believe that online sales are critical to their companies' success.
- And worldwide e-commerce is projected to grow from \$2.8 trillion this year to \$4.9 trillion in 2021, only three short years away.
- In the U.S., e-commerce will comprise 17% of all retail by 2022, up from about 10% in 2017.

In summary, there's no question that open skies and free trade drive prosperity in our industry, our country, and our world. FedEx has a long history of supporting these policies, and they in turn have helped us grow significantly over the years. I hope the organizations represented here today will stand with FedEx as being "all in" for practices that create a more accessible world for everyone.

Thank you.