UNITED PARCEL SYSTEM
HEADQUARTERS: ATLANTA, GA

(WORLD’S LARGEST EXPRESS CARRIER & LARGEST PACKAGE DELIVERY COMPANY)

- 24/7 DELIVERY
- 4 HOURS “URGENT” DELIVERY
- 180 COUNTRIES
- PICK-UP W/I 60-90 MINUTES OF COMPUTER ORDER RECEIPT
  - REAL-TIME TRACKING (BAR CODE/WIRELESS TRANSPONDERS-PDA)
  - 7 MIL. “ON-LINE” QUERIES PER DAY
UPS RETAIL “STORE”
(INPUT TO PACKAGE / PARCEL DELIVERY SYSTEM)
UPS “FULL-SERVICE” PACKAGE / PARCEL RETAIL SYSTEM
UPS (CONTINUED)

• SYNCHRONIZED TRUCKS / PLANES/ TRAINS (FOR CROSS-COUNTRY DELIVERY)

CHRISTMAS WEEK (19 DEC.)

18,000,000 PACKAGES (210 per sec.)

35% SURGE (13.6 M PER DAY AVG.)

UPS AIR: 4.5M packages 24 DEC.

ADDED 12 A/C TO 600 A/C FLEET
LD-3 & LD-4 CONTAINERS
ENROUTE UPS 747 FOR
LOADING
UPS DAYLIGHT LOADING
UPS 747 FREIGHTER WITH LD3 CONTAINERS
UPS RETAIL DELIVERY
200,000 BROWN TRUCKS;
400,000 PEOPLE!*

* INCLUDES 60,000 SEASONAL WORKERS FOR CHRISTMAS RUSH
FEDEX
HEADQUARTERS: MEMPHIS, TN

. EXPRESS DELIVERY TO 211 COUNTRIES
. REGIONAL “LESS THAN TRUCKLOAD” DELIVERY OF HEAVY WEIGHT FREIGHT
. NON-STOP “DOOR-TO-DOOR” DELIVERY OF TIME-CRITICAL SHIPMENTS
. FEDEX BOUGHT AMERICAN FREIGHTWAYS, RTS AND VIKING TO COMPETE WITH UPS FOR GROUND MARKET
FEDEX “RETAIL” STORE
FEDEX RETAIL “DROP-BOX”
TIME-CRITICAL DROP-OFF SYSTEM

5:45PM CUT-OFF
FEDEX TRAILERS UNLOADING (SKY HARBOR AIRPORT-PHOENIX)
MARKET CONSTRAINT

MARKET AREA CONSTRAINED BY “DRIVE TIME” FROM RETAIL PICK-UP BOX CONSOLIDATION TO AIRPORT!!
MD-900 EXPLORER UTILITY HELICOPTER (NOTAR)

- Cargo delivery to oil rigs, remote drilling sites
- Corporate delivery of high priority data, packages, parts
- Small package delivery was a design consideration
MD-900 CARGO CAPACITY
FEDEX LD-3s AWAITING LOADING
FEDEX PARETO ANALYSIS OF “DELIVERY FAILURES”

• PERCENT OF PACKAGES NOT BEING DELIVERED BY “10 AM NEXT DAY” WAS ANALYZED (e.g. 1 1/2% )
• EACH FACTOR ANALYZED ( WRONG ZIPCODE, ROUTING MISTAKES, LOST PACKAGES, ETC.
• A FEDEX V.P. WAS ASSIGNED TO ELIMINATE EACH FAILURE CAUSE
• THE “SEE THROUGH” CONTAINER WAS THE SOLUTION TO SMALL PACKAGES “LOST” IN THE BOTTOM OF CONTAINERS!!
“SEE-THROUGH” CONTAINERS
FEDEX “VIRTUAL INVENTORY SYSTEM”

• PIONEERED SOFTWARE TO PROVIDE “SEAMLESS” INTERFACE FROM:
  • PRODUCT DESIGN
  • ORDER PLACEMENT
  • RAW MATERIAL P/U & DELIVERY
  • FINISHED PRODUCT PICK-UP & DELIVERY TO END CUSTOMER

FEDEX PROVIDES ALL PICK-UPS AND DELIVERIES WORLD-WIDE

COMPANY CAN OPERATE WITH ZERO INVENTORY!!!
FEDEX: SUPPLY CHAIN SOLUTIONS

• PROVIDE WAREHOUSING AT MEMPHIS FOR CUSTOMERS WANTING TO OFFER 1 or 2 DAY DELIVERY OF CRITICAL ITEMS WORLD-WIDE (CATERPILLER TRACTOR)

• OFFER CUSTOMS BROKERAGE, INTERNATIONAL OCEAN FREIGHT FORWARDING, TRADE FACILITATION
WHERE IS THE MARKET FOR AIR CARGO EXPECTED TO GO?
AVERAGE FREIGHT REVENUE PER TON MILE

CENTS PER TON-MILE

U.S. TON-MILES OF FREIGHT

AVERAGE LENGTH OF HAUL
DOMESTIC FREIGHT

TOTAL U.S. FREIGHT EXPENDITURES

NOTES: 1. INCLUDES INFRASTRUCTURE COSTS, TAXES, SUBSIDIES, AMTRAK
INTERNATIONAL AIR CARGO FORECAST

Forecast International Air Freight Traffic
Forecast Growth Rates & Freight Tonnes

2001: 17,595
2002: 18,429 (4.7% growth)
2003: 19,566 (6.2% growth)
2004: 20,648 (5.5% growth)
2005: 21,709 (5.1% growth)
2006: 22,786 (5.8% growth)

Average Annual Growth Rate (AAGR): 5.3%

Freight Tonnes (’000)

IATA DATA 2001
# ICAO AIR CARGO FORECAST FOR THE YEAR 2010

## WORLDWIDE

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<tbody>
<tr>
<td>57,215</td>
<td>108,043</td>
<td>202,650</td>
<td>6.6%</td>
<td>6.0%</td>
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**NOTE:** EXCLUDES CIS

**SOURCE:**
ICAO FORECAST (2002)
# ICAO Regional Forecast of Air Cargo for 2010

(Freight Tonne – Kilometres in Millions)

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<tr>
<td>Africa</td>
<td>1,176</td>
<td>19,693</td>
<td>3440</td>
<td>5.3%</td>
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<tr>
<td>Asia-Pacific</td>
<td>15,634</td>
<td>37,564</td>
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<tr>
<td>Europe</td>
<td>19,246</td>
<td>31,193</td>
<td>52,120</td>
<td>4.9%</td>
<td>4.5%</td>
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<tr>
<td>Latin America</td>
<td>2626</td>
<td>4221</td>
<td>6950</td>
<td>4.9%</td>
<td>4.5%</td>
</tr>
<tr>
<td>North America</td>
<td>15,962</td>
<td>29,028</td>
<td>51,000</td>
<td>6.2%</td>
<td>5.0%</td>
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*Source: ICAO 2010 Forecast*
OUTLOOK FOR AIR CARGO

- WORLD AIRLINE PAX TRAFFIC FORECAST TO GROW 1999-2010 @ 4.5%
- WORLD AIR FREIGHT GROWTH 1999-2010 FORECAST @ 6.0%
  - ASIA-PACIFIC REGION EXPECTED TO DOMINATE AIR FREIGHT GROWTH MARKET
  - UNIT COSTS (OPERATING COST PER AVAILABLE TONNE-KILOMETERS) (ATK) DECLINED AT AN AVERAGE ANNUAL RATE OF 3.0% FOR PERIOD 1960-1999

LARGER, MORE EFFICIENT FREIGHTERS ARE MAKING AIR FREIGHT MORE COMPETITIVE!
CONCLUSIONS

• AIR CARGO MARKET IS TIED TO WORLD GDP; ALMOST A LEADING ECONOMIC INDICATOR

• USED PAX AIRCRAFT CONVERTED TO FREIGHTERS ARE COST-EFFECTIVE!

• CORPORATE FOCUS ON “LEAN” HAS DRIVEN INTERNATIONAL AIR CARGO GROWTH

• AIR CARGO IS RAPIDLY GROWING NICHE IN TOTAL CARGO MARKET!!!