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Financial Success Stories

Reducing Emissions and Operating Costs



UPS Today

200 Countries and Territories

- Conducts business with 98% of all companies in U.S.
- Over 427,000 employees, 3rd largest employer in U.S.
- 97,800 drivers
- 91,700 delivery vehicles
- 577 aircrafts (8th largest airline)
- 777 airports served
- 1,838 daily flight segments
- 15.6 million packages a day, 7% of U.S. GDP and 2% World GDP
- 2,900+ facilities
- 7.9 million daily customers
- 10 million daily online tracking requests

- **Sustainable Transport**



Fleet Efficiencies and Alternative Fueled Vehicles



UPS Fleet Philosophy

UPS is an active participant in advancing and developing future generations of delivery vehicles that reduce dependence on fossil fuels, significantly reduce fuel consumption and create a vehicle **platform to bridge to the hydrogen economy** — all while remaining an innovative, socially responsible and financially sound corporation.

“Rolling Laboratory” Approach to Future Mobility

- UPS’s alternative fuel fleet of 1,323 vehicles has traveled 126 million miles since 2000. Adopted CNG in the 1980s.



Alternative Fuels & Technology

- Compressed Natural Gas Vehicles (Medium Duty)
- Strategy & Considerations
 - Improved Vehicle and Station Technology
 - Vehicle Acquisition Cost – 30 to 40% Higher Than Conventional
 - Fueling Infrastructure – On Site can approach \$1.5M for fast fill
 - Federal and State grants very helpful
- The Energy Policy Act
 - 50 Cents tax credit per gasoline gallon equivalent (GGE) for fuel dispensed from
 - company-owned fuel stations
 - Tax credit to expire on September 30, 2009
 - 50% Tax credit for incremental cost to purchase CNG vehicles
 - Suppliers asking for 80% tax credit
 - Tax credit to expire on December 31, 2010

Cost to Serve (Shifters) CNG vs. Diesel

- SHIFTER's (aka Yard Hostlers) - CNG Engine vs. Diesel
- CNG approx. 62% (or \$2.70) less than Diesel per Equivalent Gallon
- Both Fuels Roughly the Same in Terms of Mileage & Performance
- Current Shifters in Ontario are using about 3000 Gallons of Fuel per Unit per Year, therefore Resulting in a \$8100 per Unit per Year Fuel Savings
- Plan is to Purchase up to 37 Shifters with Funding Approval
 - Should result in a \$300,000 Total per Year Fuel Savings

Cost to Serve (Tractors) LNG vs. Diesel

- TRACTOR's -LNG Engine vs. Diesel
- LNG approx. 33% (or \$1.40) less than Diesel per Equivalent Gallon
- Both Fuels Perform approx. the same in terms of MPG & Performance
- Current LNG Tractors in Ontario (11) are using about 6000 Gallons of Fuel per Unit per Year, therefore resulting \$8,400 per Unit Fuel Savings per Year
- Plan is to Purchase up to 10 LNG Tractors with Funding Approval
 - Should result in a \$84,000 Total per Year Fuel Savings

Alternative Fuels & Technology

- Hybrid Electric Vehicles (Medium Duty)
 - Strategy & Considerations
 - Acquisition Cost 70% higher than conventional
 - 35% improvement in fuel economy
 - Maintenance Cost?
 - High production cost due to limited production
 - Vehicle production expected to increase and prices expected to fall
 - Manufacturers promising a 3-year payback compared to conventional diesel
 - No Fueling Infrastructure Changes Needed
 - Federal and State grants marginal impact

- Conclusion

- Thank You