



April 16, 2008

Testimony of John Isbell, Director Corporate Delivery Logistics

Nike, Inc.

Beaverton, Oregon

**Before the U.S. Senate Transportation and Infrastructure sub-committee of the
Environmental and Public Works Committee**

Chairman Baucus, Senator Isakson and other Members of the Committee; thank you for the opportunity to testify on the freight infrastructure problems facing our nation.

My name is John Isbell and I am responsible for overseeing the global flow of Nike, Inc. cargo from sourcing origins to arrival at destination distribution facilities. My testimony today will specifically address the freight transportation challenges facing the U.S. I will cover the following three topics:

1. National Freight Transportation Plan
2. Freight transportation metrics
3. Public-private partnerships

Nike, Inc.

Nike Inc.'s U.S. footprint includes major distribution centers in Memphis, Tennessee; Wilsonville, Oregon; Ontario, California; Foothill Ranch, California; and Greenland, New Hampshire. Nike, Inc. U.S. employees are approximately 18,200. On an annual basis, Nike, Inc., imports over 30,000 forty-foot equivalent units of containers making Nike, Inc. the 23rd largest container importer. Over 85% of Nike's containers are imported through the West Coast ports with Los Angeles and Long Beach being the primary gateways and nearly 85% of our containers use rail to reach their final interior destinations.

National Freight Transportation Plan

Our concerns about the state of the U.S. freight infrastructure began in 2004 when the perfect storm hit Southern California and the Nation. The combination of record imports entering through the ports of Los Angeles and Long Beach combined with a shortage of waterfront labor and equipment and labor shortages experienced by the two Western Class One railroads resulted in cargo delays from one to three weeks for most intermodal shippers. Responsive actions by all parties and the slower growth in the U.S. economy has averted a re-occurrence of this problem. However, the U.S. infrastructure continues to operate at near capacity in many sectors so there is certainty that future supply chain delays will impact American business and ultimately U.S. consumers.

Why should we be concerned about supply chain delays? Delays mean that just-in-time supply chains, such as Nike's time-sensitive product launches, would need to produce products earlier in order to meet key delivery dates. This increases inventory carrying cost. For Nike, the financial cost to finance an additional week of inventory is a one-time cost of approximately \$4.0 million.

The underlying problems of inadequate highway and railroad infrastructure that contributed to the 2004 perfect storm continue to be a major concern for the shipping community. These concerns arise from the knowledge that U.S. container import volumes are expected to double by 2020. The problems are particularly acute in Southern California where the two ports account for 43.2% and 24.4% of the Nation's container imports and exports.

The absence of a National Freight Transportation Plan leaves the American people with no assurances that our international trade will be able to continue to flow at the speed of commerce. Some critics might say you only have to look at the current highway bill, SAFETEA-LU, to know that without a plan, needed freight infrastructure projects of national significance were short changed because the current system permits an earmarking process that diverts money to many less essential transportation projects. I believe by working in partnership with the administration and congress, we can develop a consensus blueprint for freight transportation in terms of a National Freight Transportation Plan. An important outcome of this plan will be to identify and provide mandatory funding for freight infrastructure projects of national significance.

Freight Transportation Metrics

An important component of a National Freight Transportation Plan is the development of freight metrics that can monitor transportation flow in key sectors in order to identify bottlenecks and capacity constraints. These metrics would include the measurement of marine terminal capacity, average speed of container trains, and transit times in key truck-freight corridors.

Public-Private Partnerships

Secretary of Transportation, Mary Peters, in her testimony in February before the Senate Environment and Public Works Committee, said "future transportation improvements should be paid for by a combination of tolls, vehicle-mile taxes and public-private investment."

Nike and other shippers recognize we need to partner with the Federal Government to support the funding of freight infrastructure projects. Therefore, we are willing to work with Congress and the next Administration to develop a framework for public-private partnerships that meets the needs of all stakeholders. Public-private partnerships can take many forms but we strongly believe the following underlying principles should apply to all partnerships:

1. Projects should be of National freight significance as determined by a public-private stakeholder group.

2. The fees or contributions must be “fire-walled” and used exclusively for the project. Funds cannot be reallocated for general revenue appropriations.
3. Fees and contributions must be collected from the actual users of the infrastructure.
4. Fees must be assessed on the physical unit of movement and not on the dollar value of the cargo.
5. There must be accountability and transparency in the use of project financing.

Conclusion

I conclude by using a quote in the recent U.S. Chamber of Commerce transportation report, “If the United States continues to under invest in its transportation system and fails to meet the transportation needs of its key industry sectors, the U.S. economy will become less productive and less globally competitive.”

We thank you for the Committee’s leadership on this issue and the shipping community looks forward to working with you to build a better tomorrow.