

**KEYNOTE SPEECH BY MIKE ESKEW  
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Thank you, and good afternoon, everyone. I sincerely appreciate the kind words in that introduction. But it is me who's honored to be here with you today to talk about commerce and the environment. Two concepts that may not seem connected but have been linked for a long time.

Washington, D.C., has served as a backdrop for discussions on commerce and the environment, from practically its inception. From here in 1803, Jefferson dispatched Lewis and Clark with the following directions:

“The object of your mission is to explore the Missouri River, and such principal streams on it, as by its course, and communication with the water of the Pacific Ocean, may offer the most direct and practical water communication across this Continent for the purpose of commerce ...”

Jefferson went on to say that “Other objects worthy of notice will be ... the soil and the face of the country ... its growth and vegetable productions ... the animals of the country ... the mineral production ... the dates in which particular plants put forth or lose their flowers or leaves ... times of appearance of particular birds, reptiles or insects.”

President Jefferson's vision was indeed a voyage of discovery for commerce and for the environment. He left us a legacy for balance. Balance for freedom and liberty, for industry and cultural ideas, for commerce and the environment.

I grew up in a community that was directly impacted by Thomas Jefferson. It's a small town in southern Indiana called Vincennes. It was here, that George Rogers Clark – William Clark's Brother -- defeated the British in 1779, paving the way for American settlement in the Northwest Territory and points west, thanks to Lewis, Clark and Jefferson.

My hometown on the banks of the Wabash River was also famous way back when as the pearl capital of the United States. Yes, that's right ... pearls. And we were once the captains of pearls ... at least that's what the old-timers in Vincennes would tell us. And I often use this anecdote at environmental conferences because I think it speaks to the concepts of sustainability and balance.

The mussels that lined the Wabash River bottom produced pearls that were used commercially for buttons and other accessories. Every once in a while a Wabash River mussel would produce a necklace-quality pearl, fetching as much as \$5,000 dollars back at the turn of the last century.

But the pearl industry faded long before I ever walked the banks of my hometown river. In essence, the rich soil the Wabash helped produce ultimately choked the river. As agriculture grew, so did runoff from fertilizers and soil. Crops thrived but the mussels died. And so did the pearl industry. Like many Midwestern kids, I learned at an early age about the balance of nature and industry how fragile that balance can be and the implications it has for people and the land.

Today, balance and sustainability are perhaps the most important words in the environmental vocabulary. They're also tremendously important for business and society.

In fact, their relevance has never been more profound. I don't have to tell you that the past three months have taken their toll on all aspects of our lives here in America and throughout the world.

The events of September 11<sup>th</sup> and their aftermath have amplified a certain basic truth that you folks in the environmental community have known for quite some time. On this planet, we share a collective destiny -- a shared purpose. Isn't that really what the environmental movement is all about? Ensuring a strong and sustainable future for our people, our cultures, our businesses, our economies, and our planet.

This afternoon, my purpose really isn't to instruct or engage in a lofty call to action. There are plenty of folks in the environmental community who are much better qualified to do that. Besides, I'm not an environmentalist by profession. But I am an environmentalist at heart. And in that vein, I'd like to share with you some thoughts on how one company is trying to be part of the solution. Part of the environmental solution. Part of the business solution.

Like you, we at UPS recognize that there are some serious problems out there, problems with our air quality, with depletion of our natural resources, with degradation of our rivers, lakes and oceans. Problems with land use, and noise pollution, and population growth and distribution. Growing problems that won't abate without thoughtful discussion, meaningful action and innovative technologies.

On any given day, UPS delivers 13 million packages around the world. We're operating in virtually every community, in virtually every nation. We see the promise and the peril of those communities quite literally from the front doorsteps and the lobbies of the homes and businesses we serve. And we don't have to travel far to experience the problems. In our corporate hometown of Atlanta, we see a community that is battling with a designated fifth season ... a smog season ... and the air we breathe today is among the worst in the United States.

In our other "home towns" of Mexico City, Los Angeles, Jakarta and similar communities along the Pacific Basin, we see millions of people suffering from respiratory diseases inflicted by dirty air. In China, we see acid rain resulting in \$5 billion dollars of crop damages and similar losses in agriculture are being felt in India, Eastern Europe, Indonesia and parts of Latin America. Here in the U.S., damages caused by storms believed to be linked to global warming have exceeded \$170 billion dollars in the last five years alone, according to one study.

So, yes, UPS sees the problems and the implications they pose for the health of our children ... our communities and our economies. We see the problems... and we want to be part of the solution. Our desire is guided by one central philosophy. We refer to it as: "Enlightened commitment."

When you operate the world's largest private transportation network with a fleet of more than 77,000 vehicles, and 500 aircraft, you recognize that you have an imprint on the environment. And a responsibility toward the environment.

We feel that good business practices and sound business strategies can -- and indeed must -- lead to stronger, healthier environments. That's how we think of enlightened commitment: Doing good for our business by doing good for the environment.

It's also a philosophy that has significant bottom line impacts. In fact, if executed properly, it can help lead to three of the most important competitive advantages any company or organization could ever ask for.

-- Innovation as a core competency...

- Increased efficiency...
- AND an enhanced public reputation.

So, let's start with innovation and efficiency because from our point of view, they go hand-in-hand. At UPS, we tend to think of innovation not just as a breakthrough product or service, but also as a cultural attitude. An attitude handed down almost 95 years ago by our founder, Jim Casey. Jim constantly spoke of the need to be "constructively dissatisfied." He believed no matter how good we got at anything there was still room for more improvement ... still room for more opportunities.

Jim was a stickler for streamlining operations and refining processes. He especially disliked wasteful procedures and policies. In the early days of our business, for instance, he convinced department stores to consolidate their deliveries with one carrier. Jim thought ... why send a Macy's delivery truck and a Sears delivery truck to the same residence on the same day? Couldn't those packages be consolidated by one carrier, UPS?

The customer would get better service the stores would save money and valuable resources would be conserved.

It was the beginning of a long marriage of good business practices and environmental awareness. Jim may not have recognized it as "environmental awareness" back then, but the end result was just the same. One driver assigned to one vehicle appointed to a designated neighborhood. Increasing efficiency. And reducing fuel consumption. Not surprisingly, consolidation caught on in a big way... and led to a revolutionary distribution model known as the hub-and-spoke system.

Today that innovation is the foundation of the largest and most-efficient package delivery network in the world. More importantly, the seeds of that lasting innovation were planted in the notion that a good business is a constantly improving business -- a business that's never satisfied with the status quo. That quest for innovation at UPS has led to a number of important business developments in recent years.

At UPS, we're not content with delivering packages from point A to point B anymore. Sure, it's our core business, and we will never abandon it. But we also recognize the technologies and processes and information gathered by moving packages allow us to move into exciting new businesses that complement and grow our strong core. In fact, a couple of years ago, we refined our stated corporate purpose from being the world's leading package delivery company to being the world's premier enabler of global commerce.

That's a fancy way of saying that we can help a business streamline all the transportation and logistics activities involved in getting a product to market -- from the raw material stage to manufacturing, warehousing, to final delivery and even returning items like printer cartridges back to recycling centers. It involves the movement of goods, information and funds and that's why in recent years and months, you've seen UPS expand into areas like global trade financing and supply chain consulting and freight forwarding and electronic commerce services and scalable logistics for businesses of all sizes

It's a tremendous opportunity not just for us but for our customers. In today's global business environment where cost-controls, speed to market, operational efficiency, customer responsiveness, security and environmental protection are of utmost importance, effective supply chain management has become perhaps the most critical business tool that a company can employ for competitive advantage.

From our perspective at UPS, a streamlined supply chain is inherently an environmentally sustainable business practice. This year alone, for example, businesses worldwide will save \$1.6 trillion dollars in operational expenses by employing effective supply chain strategies. These cost savings are augmented by equally impressive reductions in materials and resource waste.

Sustainable business practices require a lot of innovative thinking. Part of that thinking involves integrating environmental practices into the business plan. Not viewing the environment as a separate issue that must be addressed and measured as an addenda or a requirement but as a business driver in itself.

Again, that speaks to the issue of enlightened commitment ... of doing good for your business by doing good for the environment. The quest for innovation at UPS has led to a number of important environmental initiatives over the years, from developing vehicle routing technologies that allow us to cover maximum areas while traveling fewer miles, to creating our industry's first reusable overnight envelopes, to being the first major North American airline to comply with Stage 3 noise regulations.

We've also been very aggressive in our efforts to minimize vehicle emissions, beginning with our first experiment with electric-powered delivery trucks in New York City back in the 1930's. That's right ... the 1930's!

Since then we've introduced propane, and methanol-powered vehicles and liquefied and compressed natural gas vehicles, including fleets operating here today in the Washington area.

In fact, our CNG fleet of nearly 1,000 trucks, tractors and vans now operates in 18 urban areas in the U.S. and abroad. Urban markets that wrestle with bad air quality. It's the largest private CNG fleet in the nation. And three years ago, we began researching and testing hybrid-electric technology. The goal, like previous efforts, was to find technology solutions to increase fuel economy, reduce emissions, and lessen our imprint on the environment.

This afternoon, I'd like to share with you a significant update on those measures. Actually, I'm going to take a break from talking for a moment... and let you take a look at this video.

*[4 minute video on UPS's introduction of its first-in-kind hybrid electric urban delivery vehicle]*

From the video, I think you can see that this is part of an evolutionary process. It's a work-in-progress. But the targeted goals of doubling our fuel economy, reducing exhaust emissions by 50 percent, improving our mechanical and operational reliability, and even providing clean, efficient auxiliary power, are ALL characteristics of sound business ... and a healthier environment.

It's the same kind of strategy that's prompting more and more leading-edge companies to migrate toward sustainable environmental practices for competitive advantage. This morning, you heard about similar innovations at Shell Canada from Tim Faithfull. It's these kinds of innovations and efficiencies that will help keep businesses and the environment healthier in the 21st century.

Which leads to my final point this afternoon.

The corporate branding and reputation implications of running an environmentally sound business can not be underestimated. Increasingly, the lines are blurring between consumer activism and social activism. We see it every day and the message is ringing loud and clear: You can't be a customer-centric organization without being an environmentally progressive organization.

We're all familiar with the recent civil disturbances in places like Seattle, Davos and Quebec City. Whatever your feelings about them, they've certainly forced us to think about a lot of global environmental issues in a much broader context. It's not just special interest groups making noise, either. Quietly, and sometimes not so quietly, the average consumer is raising a voice.

A recent Gallup poll, for instance, shows that the American consumer has less confidence in big business than in the military ... the police ... public schools ... and the news media. The social values that we might have once left at home are now alive in the workplace, the checkout counters and the internet commerce sites. And that has strong business implications.

In 21st century commerce, serving customers' needs extends beyond the direct business need. We ignore this trend at our own risk. And by the way, it's not just consumers who demand activism and accountability. There is a growing movement among investors for greater disclosure of social and environmental responsibility as well as financial performance.

Already, we're seeing a growing movement toward the creation of "green" supply chains. Companies like Nike, Saturn, the Gap, and United Technologies, among others, are taking the lead in doing business with environmentally progressive suppliers.

At UPS, we can tell you that being recognized as a "green" supplier has significant financial benefits. In fact, it has resulted in multimillion-dollar contracts with companies like Interface and Patagonia, who specifically cite our transportation and environmental efficiencies as reasons for doing business with us.

Our ability to innovate as a core competency, to drive an efficient business, and to engage in responsible environmental practices, are ALL major reasons why Fortune Magazine ranks UPS among the World's Most Admired Companies...year after year!

At the end of the day, the strength of our brand is measured by the degree in which our customers trust us. Customers must trust us with their most critical deliveries, and they must trust us to do the right things for the environment and the communities in which we operate.

Trust is also an underlying current running through this conference. Trust in advanced technologies and processes to help address environmental concerns. Trust in cooperation among the business, government, environmental, academic and non-profit communities represented here.

The same kind of trust in mankind and society that was ingrained in the writings and actions of Thomas Jefferson. Put simply, I believe that spirit of collaboration and trust ultimately will be the most sustaining path toward global economic and environmental revitalization that we can take.

I applaud all of you for participating in this important conference. And I thank you for your time today.