

Keynote Address

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Six years ago, the Intermodal Surface Transportation Efficiency Act of 1991, commonly referred to as ISTEA, was supposed to establish a new era for transportation, integrating all the elements or modes of transportation into a seamless intermodal system, a system that would be safer, more efficient, and better for the environment. If we look back over the last 6 years, we see that the change, the transition, has been difficult. Perhaps it has been less so on the freight side. I am going to talk today from a business perspective, and obviously the examples I use will be from the freight side. I will also use myself as a case in point, because I have to think that the reason I am standing here is really a historical accident.

I went to work in the transportation industry 30 years ago because I wanted to live in Northern California. When I went to work for a railroad, I did not have a clue what I was getting into. I had gone through 18 years of formal education and never had a course in transportation. My education in transportation began the moment I was appointed assistant trainmaster on the midnight shift in Bakersfield, California. This fact tells you something about the lack of transportation education available within the academic community some 30 years ago. On the basis of what we heard earlier from Dr. Alberts, I am not so sure we have made much progress in the past 30 years.

When we talk about intermodal transportation, I think we can say that we have made progress over the last 6 years, at least on the freight side. Just this past week, Burlington Northern and Santa Fe Railway (BNSF) handled 67,000 trailers and containers across

the United States from the Midwest to the Pacific Coast, which is a record for us by a factor of 4 to 5 percent. These days, on a good Friday, United Parcel Service (UPS) gives BNSF 1,500 trailers to handle across the United States. When UPS was on strike, it cost our company \$1.0 million a day in lost revenue. UPS—its intermodal movements—is the number one customer for BNSF, and that holds even when you factor in coal, grain, and other merchandise. In a good week these days, J.B. Hunt also brings BNSF 8,000 trailers to haul across the United States. When I stood in front of our institutional and investor analysts on Wall Street a couple of weeks ago and reported on our second- and third-quarter earnings, I told them our business with Schneider was up 83 percent in the third quarter. All of these examples illustrate how intermodalism—trailers and containers on the railroad—is moving forward. It is totally market driven and there is no turning back.

The passenger sector is a more difficult challenge for a variety of reasons, but primarily because subsidies are complex and pervasive. Often, they hide what is really going on and prevent us from bringing out the best of the various modes. This points to the fact that we have not only an educational problem but also institutional and financial problems. I venture to say that on the passenger side, institutions have not embraced intermodalism to the extent that we have on the freight side, and in many cases, progress is difficult to detect.

If we are going to establish a true intermodal era, we need more time, more effort, and especially more education. In many respects, these efforts are just beginning. Every once in a while, there is evidence of an urge by

some to move backward—to substitute HOTEA (Highway Only Transportation Efficiency Act) for ISTEA. Fortunately, it does not look as though that is likely to happen because that is not the way to go for the good of the country. Since 1991, the importance of ISTEA and intermodalism to the future of transportation in the United States has been confirmed time and again.

Success depends upon education, and the ideas, strategies, and initiatives from those gathered here for this conference can help make a difference, build a bridge, move us in the right direction. I think everybody in this room can agree on one thing—we need fundamental changes in the education of lay people and of professionals if we are to maximize the benefits of intermodalism.

Secretary Slater's Garrett A. Morgan Technology and Transportation Futures Program has already been mentioned by previous speakers, and I want to say that I personally and BNSF as a company are committed to seeing this program work because it integrates transportation into all levels of education, particularly the lower grades, by bringing transportation into the curriculum at each grade level. By studying math and science and applying it to transportation, students have a chance to build transportation professional expertise that companies like BNSF can hire over the years to come. I think Secretary Slater's effort to expose this program to a million students by the year 2000 is the right start. It also means that the private sector has to get involved and help this program succeed. It is important for me and for BNSF to support the Secretary's education initiative for selfish reasons, so that we have qualified candidates in the years ahead to run and improve our company.

I want to return to the story of how I ended up in the railroad business. I never had a course in transportation. I was out on the West Coast looking for a job in California, where I was born and raised. I thought the sun rose and set in California and that is where I wanted to work. The fact that my job ended up being with a railroad was an inconsequential coincidence. Since leaving school and ending up in transportation, I have done a little historical research. At the time that I went to school, there were 20,000 graduates, with an estimated 400 of them in transportation-related careers and 40 (two-tenths of 1 percent) actually working in the transportation industry. Earlier today, Dr. Alberts said that an estimated one in seven jobs in our economy is related to transportation, a fact of which the general public is really not aware. It shows you how far we have to go to get the importance of transportation across to the public and to interest the public not only in job opportunities within the transportation industry but also in involvement in transportation issues so that we have the right public policy.

We cannot spend enough time relating the importance of transportation and intermodalism to national productivity. An article in *The Wall Street Journal* in June 1997 stated that one of the key reasons for the nation's sustained growth is transportation efficiency. In 1996, logistics costs hit a low of 10 percent of the gross domestic product (half what it was in 1980), saving the nation \$7.0 billion a year. Also contributing to this productivity has been deregulation of the transportation industry.

Just before I took that first job with Southern Pacific Railroad in 1966, my roommates from school asked me, "Bob, what are you doing? Don't you understand you're ruining your life? You're going to work for a railroad? Don't you know the railroad industry is a dying industry? If you want to go to work for a good transportation company, go to work for a company like Pan Am or TWA." In the first decade of my career, those companies were showing profits, whereas 10 years later, one-third of the railroad industry was in bankruptcy. Today, however, I stand before you with my biggest problem being how I handle all the business that is offered to BNSF—quite a change. In large part because of deregulation, the 130-year-old, nearly dead railroad is now a growth industry that has the opportunity to show results perhaps as spectacular as those of companies like Microsoft.

We can look at education and training from two sides—the supply side and the demand side. What do we need to do on the supply side? First, at the university level, logistics and intermodal transportation need to be included in the core business curriculum along with marketing, accounting, finance, and other basic courses. Second, we need to educate the educator. New applications for transportation and intermodalism do not come from the textbook; they come from real-life experiences in the field, and educators need to get involved in that real-life experience. This means that industry needs to create internships so that educators can benefit from active, practical experience. Faculty members need to be involved not only in the trenches but also through experiencing and being part of the decision-making process that leads to major changes in transportation all the way up to the boardroom level. Third, private-sector companies need to support transportation education. This can happen at the senior management level; for example, I sit on the governing board of the Business Advisory Council at Northwestern University's Transportation Center. More important, however, is the connection at the middle management level. Middle managers from industry need to spend more time on both sides of the desk—as teachers and lecturers and as active participants and students in the programs like those available and offered through Northwestern and other institutions.

Finally, the federal government needs to ensure that it is getting its money's worth with research and develop-

ment (R&D) dollars, especially in intermodalism. I do not think this has happened so far. One of the recommendations of the National Commission on Intermodal Transportation was to expand the R&D focus on intermodalism; unfortunately, we have not really succeeded in that area. Administrators or directors of the Office of Intermodal Transportation have been handcuffed because they have not had the resources. The money that the government puts into transportation R&D continues to be for modal rather than intermodal R&D. That situation needs to change.

On the demand side, I believe that business, BNSF included, has an obligation to actively recruit and then take care of the transportation professionals who come out of our educational system. At BNSF, after years of downsizing, we see a real need for transportation expertise, and this year we are changing our corporate management training program. We are doing three or four things to make it different; the most important is that we are hiring more people. We are actively recruiting. We are going to more schools, a greater breadth of schools, not only schools that have experts in transportation or graduate experts in transportation who will now major or specialize in transportation. This year for the first

time we are also going to liberal arts schools to look for general managers. We wish these graduates would have at least some exposure to transportation or understand the importance of transportation to our economy and the value of a career in the transportation industry. We are also paying our corporate management trainees more and getting them out into the field faster so that they can have a rewarding relationship with the company and produce more quickly for us.

Corporations also need to provide more financial support and incentives to the transportation and logistics educational system. We need to endow chairs. We need to provide consulting opportunities for faculty and for students, graduate students especially, and we need to fund research. There is a lot to be done on both the supply side and the demand side.

In closing, I would say that transportation is far from the mainstream for most people, yet there is no element of our day-to-day lives that has a more pervasive effect on us. We need a transportation vision, especially an intermodal transportation vision, that gets the public thinking and talking about the importance of transportation and about participating in transportation policy and in the industry itself.