

DAY 1: PLENARY SESSION KEYNOTE ADDRESS

Innovation and Collaboration

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It is a pleasure to be here. Let me start by saying that, after taking a helicopter tour of this area yesterday, I am most impressed with what I saw and with what this region has done in the way of infrastructure investment to encourage economic growth for this area and for the workers who live here, as well as for the entire nation, by serving as a major global gateway to facilitate the flow of goods that contributes to an improved quality of life for all Americans.

It is also a pleasure to be here with what could be termed a U.S. Department of Transportation (DOT) team, which includes among others Kenneth Wykle, Federal

Highway Administrator; Bonnie Green, Deputy Maritime Administrator; and Jeff High, Director of the Waterways Management Directorate at the U.S. Coast Guard. This is a testament to the importance that Secretary Rodney Slater and Deputy Secretary Mort Downey place on this conference. We view this as an opportunity to spend time with the participants and to get feedback on how well we have been doing in carrying out the recommendations of the national commission and in moving forward into a future where we are able to take full advantage of the intermodal possibilities that I will be talking about today. I also want to thank TRB and the Conference Steering Committee for putting together an outstanding conference and encouraging anybody who cares about or is involved with freight intermodalism to be here. The conference has garnered significant positive attention because people recognize that intermodalism is so important for our economy and for the nation.

All of us here have chosen an ambitious assignment over the next 3 days—assessing the freight component of the transportation industry and how well the nation has met the promise of the Intermodal Surface Transportation Efficiency Act (ISTEA). The work we do here over the next couple of days is an assessment of past and present initiatives as well as a road map for the future. What are the challenges and opportunities of the future that the department needs to begin thinking about now? What are the technology changes or process changes like e-commerce and containerization that will be important in the future?

Beginning today, we have the opportunity to shape the future nature of government-industry partnerships for

freight logistics and intermodalism. Indeed, if we are going to effectively manage the forecasts of significant growth in international trade while balancing our other goals, our journey must be one of innovation and collaboration.

Frequently, we hear about where cargo is going in the future in terms of a doubling or tripling of the volume of cargo that moves. However, that is not, by itself, a self-fulfilling prophecy. It requires that we monitor, maintain, and make our infrastructure responsive to the demand that will take place in the future. If we don't, we are not going to have the level of growth that is key to fueling the nation's economy.

I am pleased to recognize though that we are not alone in our quest to do this. As many of you heard at TRB's annual meeting in January 2000, Secretary Rodney Slater challenged all of us to renew our vision and create a climate of innovation for meeting the needs of the 21st century economy and transportation system. He has challenged all the U.S. DOT leaders and staff to envision—with our partners, colleagues, and customers—transportation as it will exist in the year 2025. A summary of the 2025 vision exercise will result in a report to the nation later this year on trends and choices in transportation. This will mirror a report produced by Secretary William Coleman during the Ford Administration, which in 1975 looked forward to the year 2000. This work will help create what the secretary refers to as “a new transportation policy architecture.” It will also complement the department's international transportation symposium that U.S. DOT will host in fall 2000 for our partners and colleagues from around the world. This event will also be intermodal in design and content.

What we do over the next 3 days could provide important input for all these efforts. I ask that, as we go forward, we reflect on the following four points:

- What was ISTEA's promise when it was passed?
- How well have we done?
- How has the intermodal world changed?
- What do those changes mean as we reexamine the goals laid out in 1994, when many gathered in New Orleans to consider freight intermodalism and its impact on safety, competitiveness, and mobility?

How many of you were in New Orleans in 1994? That large show of hands demonstrates the degree of continuity we have at this event. It will be interesting to hear your opinions on how well we have done since 1994.

WHAT WAS ISTEA'S PROMISE?

Transportation and our economy have undergone substantial changes since the early 1990s, partly because of a very well-performing economy. As President Clinton

recently said, beginning February 1, we have had the longest economic expansion in American history. We have an economy that was previously thought to be impossible given the balance between low inflation, low unemployment, and productivity wage gains that are producing income growth over all levels of the economic scale. In addition, we have an underestimated or underappreciated aspect of this growing economy—the flood of venture capital that has created new companies and engines of growth like Silicon Valley and the technology corridors throughout the country. This has been particularly important in adding value in the transportation sector through productivity gains and changes in the supply chain.

Many other developments we now take for granted had not entered the mainstream when ISTEA was passed. Some had yet to appear on the horizon. When ISTEA was passed, shippers still identified themselves chiefly by mode. Supply chains and third-party logistics providers were cutting edge, not commonplace, and the Internet was a new way to track packages. We had not heard of supply channels and efficient resource planning, 4PLs, e-commerce, and business-to-business (B2B). ISTEA was the first time the public sector became aware of what the private freight sector had known for a long time. There are significant cost savings and system efficiencies to be gained if modal biases are replaced with an intermodal perspective focused on the overall mobility of the traveler or the goods from point A to point B. It is these savings and efficiencies that have contributed to the U.S. leadership position in global commerce.

It was also the first time the federal government defined its surface transportation responsibilities as including the facilitation of freight movements. ISTEA prompted U.S. DOT to broaden a strong passenger perspective to include the private sector and its freight concerns in defining policy issues and devising future action agendas. It also prompted U.S. DOT to work with its traditional partners—state departments of transportation and metropolitan planning organizations—as they sought to assume these new responsibilities. It committed the public sector to institutional changes—changes that have not been easy and are not complete—but they remain as essential as ever.

The Transportation Equity Act for the 21st Century (TEA-21) reinforced ISTEA's fundamental change in promoting intermodalism and efficiencies. Secretary Rodney Slater's stewardship, both in his role as secretary and previously as federal highway administrator, made sure the law provided a higher degree of flexibility in using federal resources needed to meet the expectations ISTEA created in the freight community. Although ISTEA created the mandate to go forward, it did not provide the public sector all the tools it needed to trail blaze in the freight area. The 1995 National Highway System Designation Act equipped U.S. DOT and its state and local

partners with the flexibility needed to move them closer to ISTEA's vision of safe, efficient, and integrated transportation systems. Part of the challenge to this conference is to continue to define the tools needed to translate the vision of ISTEA and TEA-21 into meaningful actions benefiting the intermodal industry and the productivity of the overall U.S. economy.

HOW WELL HAVE WE DONE SINCE THE PASSAGE OF ISTEA?

Secretary Slater believes a visionary and vigilant U.S. DOT must continue to lead the way in transportation excellence in the 21st century. Under his leadership, U.S. DOT's strategic plans and performance plans have been recognized as the best in government, reflecting the importance of transportation as it relates to safety, mobility, economic growth, protection of the human and natural environment, and national security.

What is our evidence for the best plans in government? Alcohol-related fatalities are at an all-time low. There are double-digit reductions annually in highway rail crossing crashes and fatalities. Our skies remain the safest in the world and they are getting safer. The U.S. Coast Guard continues to save one life every 2 hours. U.S. DOT sees its freight role as a weaver or integrator of the numerous owners and interests who compose this complicated system. Following the secretary's lead, the Office of Intermodalism focuses on the connections of these component parts and elimination of major bottlenecks at critical connection points. One of our major initiatives includes the maritime transportation system (MTS), an effort to plan for the future and elevate the visibility of the maritime sector, which often, in relation to surface and air, has suffered. We need a greater recognition that maritime is every bit as important to the American economy and the movement of freight and people, sometimes in unique ways, as are the other modes. Led by Administrator Clyde Hart of the Maritime Administration and Admiral James Loy, Commandant of the U.S. Coast Guard, the MTS is a systemic look at waterborne movements, focusing on the critical intermodal connections as goods and people travel from origin to destination.

The NHS Intermodal Connectors Condition and Investment Study, led by FHWA Administrator Kenneth Wykle, is finalizing a baseline assessment of more than 600 intermodal freight connectors along the National Highway System (NHS). The assessment of these connectors and current levels of federal financing should serve as an important tool as we seek to improve system safety and efficiency. It also continues to encourage the public and private owners of the nation's transportation infrastructure to better cooperate and coordinate as they plan investments to meet a diverse array of commercial and cit-

izen needs. In addition, the recent reorganization within FHWA includes an entity with freight responsibilities.

The Bureau of Transportation Statistics (BTS) has conducted two commodity flow surveys to refine and improve data collection—the first such effort in nearly 30 years. The Office of Intermodalism has been an advocate, innovator, and departmental resource for freight issues. One other aspect that relates to both BTS and the NHS connectors study is working together within U.S. DOT to ensure that, as we develop the data for intermodalism, all our data are better aligned. In addition, as we collect more and better data by measuring the intermodal connections in the system, we have a tool within U.S. DOT that can be used in policy analysis and policy development for the benefit of the current U.S. DOT as well as our successors. As we traveled around the country speaking with people in different regions who are attempting to put together better intermodal connections, we found everyone is suffering from a lack of good data. We need to be a leader in this office in terms of providing those data for us, for the metropolitan planning organizations, and for the state and private concerns out there.

The Office of Intermodalism also spearheaded the federal role for funding the Alameda Corridor, which promises not only to improve safety and mitigate congestion by eliminating grade crossings but also to improve the efficiency of railroads as they serve the nation's busiest Pacific ports. Unclogging this bottleneck means that a significant portion of the nation's international trade will leave and reach their markets more quickly. In fact, I am very pleased today that Michael Huerta, one of my predecessors in the U.S. DOT Office of Intermodalism, is here. He played a very key role in negotiating these new innovative financing tools that have made the Alameda Corridor a great project. When I toured it yesterday, I learned that work on the Alameda corridor is on time and on budget. As we look ahead to the next reauthorization, I think this success promises to create even more high levels of authority on the financing side that should help launch more projects throughout the country.

We convened four regional meetings during spring and summer 1997 in Seattle, Houston, New York, and Norfolk to address how the projected growth in worldwide containerized trade and the expected demands on container ports and their connections in surface transportation would affect the overall system. In late 1998, we coordinated four national listening sessions to solicit ideas on facilitating intermodal freight transportation through the development of intelligent transportation system (ITS) technologies. We then solicited proposals for potential projects, and funds were awarded for two pilot tests that will link existing ITS systems to collect freight data to better support local and regional planning. I know Christine Johnson is here and will be providing information about that.

The Office of Intermodalism also has led the effort creating intermodal technology workshops that brought together leaders from the public and private sectors to outline a planning framework for increasing freight productivity through intermodal freight identification and tracking technologies. In Reston, Virginia, participants produced a plan of activities and projects that have created an intermodal freight technology working group. U.S. DOT and the private sector cochaired the workshop; to implement the workshop recommendations their goal is to identify and support technologies that promote inner operability, asset and cargo visibility, and system harmonization. A follow-up conference is planned for June 2000 and I hope many of you will attend.

HOW HAS THE INTERMODAL WORLD CHANGED?

The integration of technology and transportation is expanding at such a rate that the ability to move information is becoming as critical as the ability to move the goods. Whether making changes in production, in warehousing, or in the destination of goods already in transit, computers and technology play critical and expanding roles in the freight industry. The precision needed by higher value intermodal shipments only reinforces these trends.

The explosive growth of e-commerce has significant ramifications for transportation—so much so that Secretary Slater and U.S. DOT recently sponsored a special 2-day conference in Atlanta to explore the impacts this important and growing market segment will have on the nation's infrastructure. What we heard was extraordinary. We heard from the president of Cisco Systems, a company that provides a lot of the key infrastructure for e-commerce and early this year had a market capitalization of \$430 billion, which makes it the second most capitalized company in the United States. We also heard from Jim Kelly, President of United Parcel Service (UPS), who stated that UPS used to be a trucking company that used technology and has now become a technology company that uses trucks. When you look at their recent partnerships with Ford Motor Company, Nike, and other private companies for whom they are providing beginning-to-end logistics support, it is truly amazing how far they have come, particularly since the strike when some were worried about the health of UPS.

One trend evident from this conference is the increasing role of expedited airfreight carriers such as UPS and FedEx. Their market share of this emerging market segment is due to both the broad distribution and highly sophisticated technology networks they process as well as their ability to consistently provide time-definite delivery service. The resulting higher levels of home deliveries for the future could shift current distribution patterns, as these trucks go directly from the airport to your front

door, or they could redefine the role of retailers, who could serve pickup and delivery points—your home-town “portals” to the Internet. The more frequent movement of smaller loads could also change equipment needed by commercial carriers as well as the nature of long-haul, over-the-road operations.

U.S. DOT needs your help in understanding these areas if our transportation network is to remain responsive. Just last week, we began discussions with the Council on Competitiveness in Atlanta relating to the conditions under which private companies will provide us with data so that we can see what their delivery points of the future will look like, which will help us build a system that is responsive.

Another important trend is the business-to-business, or B2B, aspects of technology innovations that have created e-commerce. Real-time or near real-time communications among all parties in a supply chain increase sourcing and distribution options, enhancing the global nature of commerce. How and where market and production centers will evolve have the potential to dramatically reshape the U.S. economic landscape.

One of the most common inquiries I get is from people who are outside hub communities like Memphis and Louisville, who wonder how their suppliers, their shippers, are going to remain competitive in the nation's economy. It is a good question and we have to come up with answers about how and whether our investments will allow all communities in the country to have access to the global transportation network.

The organization of industry has also tracked globalization. Today, we face the possibility of our first transcontinental railroad, Burlington Northern Santa Fe/Canadian National (BNSF/CN); a U.S. flag fleet with foreign parent corporations, OOCL and Maersk; U.S. motor carriers such as Roadway, involved in international partnerships with their Canadian and Mexican counterparts; and a proliferation of multinational corporations in almost every major commodity segment.

U.S. DOT has been urging the Surface Transportation Board (STB) to take a more systemic, long-term look at the last several applications brought before it by the Class 1 carriers. U.S. DOT continues to be concerned about the potential impact these consolidations, including BNSF and CN, could have on our national transportation system. We are pleased by the STB decision last month, in *ex parte* 582, to finally begin to look at these larger policy questions.

Looking at this year, the president's proposed budget for 2001 provides for a record level investment in transportation: \$55 billion, the highest level in the history of U.S. DOT and an 86 percent increase over the previous administration's average. Of this total, \$39 billion will be invested in transportation infrastructure. If adopted, these investments in our roads, bridges, airports, and transit

infrastructure will support economic growth by upgrading system conditions and performance. A record \$30.4 billion will maintain highways and build new roads and bridges, including \$280 million to improve border crossings and trade corridors, and \$96 million in Transportation Infrastructure Finance Innovation Act funding will leverage as much as \$2.2 billion in additional state and private financing for transportation projects. The level of spending is needed if U.S. DOT is to carry out aggressive programs of achieving its strategic goals: to increase transportation safety, enhance mobility for all Americans, protect the nation's environment and security, and support the nation's economic growth by providing access to new markets and economic opportunities.

The Office of Intermodalism has also changed. It is growing from a concept to an effective advocate for an integrated systemic approach to transportation issues and challenges. The office seeks to facilitate the development of intermodal projects of national or regional significance like the Alameda Corridor. It provides technical assistance to project proponents so they understand what resources are available, including innovative finance options and where they exist. We have and will continue to convene meetings between proponents and U.S. DOT experts to address the specific requirements of their proposals. We also have worked with proponents in the federal, state, and local entities to explore what types of new or innovative solutions can be tried to deliver projects more effectively. This assistance is critical because these projects require higher levels of coordination and cooperation than traditional single-mode solutions. As I go around the country, I see efforts like the Gulf Rivers Intermodal Partnership that is providing excellent leadership and bringing people in the region together to look at issues such as port expansion and landside access and what that is going to mean for the area's highways and rail.

The office is committed to listening closely to the users of our nation's transportation system. Communication, followed by action, is crucial to effectively produce policy in today's changing environment. That is why the office seeks to serve as a voice for all interests involved in intermodal transportation, be they shipper, carrier, intermediary, passenger, state or local government, labor, or average citizens.

WHAT DO THOSE CHANGES MEAN FOR THE FUTURE OF BOTH INTERMODALISM AND TRANSPORTATION IN GENERAL?

In the simplest terms, these changes reinforce the need for the U.S. DOT and its public and private partners to strive even harder to plan and coordinate infrastructure investment so that the nation benefits from an integrated transportation system that reflects Secretary Slater's vision of

an intermodal, intelligent, international, inclusive, and innovative system that meets vital national interests. They spur us to find new and better ways to develop freight data. We in the public sector must ensure that our planning and other models accurately account for freight impacts. The private sector needs to help public planners craft the tools so they can understand what is moving through their regions without compromising confidentiality, as in the case of e-commerce.

Together we must identify and overcome institutional barriers. To meet the projected levels of demand, we must develop better processes and procedures to ensure the safety and security of international freight as it moves through ports and across the nation. Together we must coordinate technology development and investment through collaborative public-private partnerships if we are to create interoperable systems that, for example, can allow traffic information centers to alert commercial carriers about weather incidents and recurring congestion, that can allow all the cities or state systems to communicate so that a school bus can tell an ambulance where it is, that can allow a railroad to warn public safety officials about grade crossing or hazardous material incidents, or that can allow a trailer or container to alert public safety officials to the fact that it is being stolen.

We also must find ways, and this has been a major focus for the secretary, to educate the next generation of transportation professionals so they receive an integrated education about transportation and logistics. Given current demographics, we need to recruit from a broader spectrum of society if we are to have the skilled workforce capable of meeting future transportation demands. The skills of these young people will need to match the dynamic competitive technology base and international world they will inherit.

Most importantly, we need to listen to one another. We need to understand one another's vision of the future if we are to help each other reach common goals. With this in mind, Secretary Slater is holding periodic visioning sessions to explore how our transportation system might evolve over the next 25 years. It is also why he promoted the memorandum of understanding between U.S. DOT and the Council on Competitiveness on transportation and e-commerce. This effort will explore how transportation supports the e-commerce revolution and what can be done to make this relationship even more supportive.

If the past few years of change and dynamism have taught us anything, it is that we are on a journey of discovery and innovation—not one with a fixed destination. We still have a long way to go. The work you do over the next 3 days will provide parts of the road map. When taken with other parts, our course for the future will be set by our collective dedication to realize an integrated, intermodal, international transportation system that safely and efficiently serves industry and the American public.