

## DAY 2: LUNCHEON PRESENTATION

# Preparing for Change

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I am delighted to be here. Whenever you leave an industry and then you return, it is always a pleasant walk down memory lane. It also gives you an opportunity to be more candid than you were when you were in the industry.

I have spent many years immersed in transportation policy research. Part of the mission at ATA was, in fact, to help predict the future, to look down the highway and see what was coming. When you do that and you are in the trucking industry, you usually see only one of two things: you see government regulations or you see a rail competitor.

On the other hand, I never found the prediction business to be particularly easy. During my tenure at ATA, the trucking industry realized quite properly that to survive and thrive it was not just enough to carry the freight. Other things were happening in the world: regulatory things and technology things. There were also demographic things that had to be acknowledged, that had to be shaped, that had to be used if that industry was going to prosper. That is no small task in an industry that is as disaggregated and as competitive as trucking.

As John suggested, I find myself now in an institution that represents all modes. We have rail and truck chief executive officers (CEOs) on our board, and the ports and the air transport people are very active in what we do. Consequently, with the understandable transport bias that we now bring to the Chamber, we are finding ourselves more engaged in issues that are of interest to you.

One study that we are contemplating undertaking is of interest and involves the notion that, in a globalized

world, competitive advantage can be sustained only if nothing changes. As we know, however, everything changes and we are all well served if we try to understand and perceive those changes before they come. The study we are contemplating might be called a “port study,” but it is more than that. We want to see what export and import patterns are going to be in 5 or 10 years, which in turn will suggest what ports and what access and egress to markets will dominate. Then we will look at these more closely and ask: Do they or don’t they work? What capacities do they have or not have? The analysis will move beyond the port to the surrounding area and ultimately to the inland infrastructure, with a glimpse at the role the federal government can play in aiding this system, which is the backbone of our competitiveness.

What the study will talk about is the thing I talked about at ATA, and the thing you have been talking about this week—change. Although not a new idea, from a business point of view, it is a leading issue within any enterprise that wants to succeed.

The cliché is true—those who fear change, those who ignore change, and those who resist change will themselves be changed by a marketplace in ways they can hardly imagine. As I understand the conversations of the past 2 days, your notion of anticipating a new century of transportation involves change. I want to talk today about how we are all preparing for it.

Unfortunately, many industries are not prepared for change. Why? Because change is a nuisance. It is hard. It is unsettling. It is disorganized. It gives us a headache.

Now let’s think of it in another way, in the way I suggested earlier: that you cannot sustain competitive advantage if nothing changes. Therefore, we have to live with change and we have to get over our apprehension.

How do business and others deal with change? Sadly, we all do the very natural thing—we look backward. We do not look forward. Seven weeks ago, we entered the much discussed new millennium. But, as is the case at the turn of every year, the media always reviews the past year and not the year ahead. Why? It is easier. It is like the weather guy—yesterday’s news is better than tomorrow’s precipitation.

Today I want to glimpse forward and try to answer the question before us: Are we in the transportation community ready for the changes the 21st century will bring?

More importantly, what kind of changes can we expect? What will these changes do to the business community and the business climate, which involves people, technology, business operations, and even politics? I would like to discuss, and even suggest, what these changes might be and what effect they might have on transportation.

Predicting is a very, very dangerous business. There is a very fine line between insight and idiocy. You have to consider some very serious prognostications. Tom Watson,

the father of IBM, reportedly said, “I think there is a world market for maybe five computers.” Howe Warner of Warner Brother Studios, a highly successful businessman who knew that industry inside and out, said, “Who the hell wants to hear actors talk?” A very interesting economist at Yale, Irving Fisher, said “Stocks have reached what looks to be a permanently high plateau.” He said that in 1929. Therefore, if I appear to hedge my bet, I am hedging my bet.

Let’s first talk about people. When we look at the future, it is a funny thing how our thoughts immediately focus on technology—gadgets, data, how fast our computers will be, what will be the mechanical conveniences in our environment, and everything on the Internet. We are no longer surfing; we are swimming it. But we cannot lose sight of people—how people are changing and what affect these changes will have on transportation.

Two things are happening demographically in this country. The first is the graying of America. Consider a couple of statistics: the first baby boomers (people born between 1946 and 1964) turned 50 in 1996. From that moment on, someone is turning 50 every 8 seconds in this country. This is a wonderful statistic because of the words you end up using. Of all the people who ever lived to be 65 years old in the history of the world, two-thirds of them are alive today. We talk frequently about the number of centenarians, the 100-year-olds—of whom there are about 135,000 right now. There will be a couple of million of them in 25 to 50 years. Yes, our society is getting older.

There is a second dynamic that is less well-known but just as significant. From the mid-1970s to 1995, the number of teenagers in the United States declined every year. In 1995, that trend reversed, as the children of the baby boomers began reaching adolescence. This means that in just 7 years, the number of teens in the population will surpass the baby boom record. We now have an up-kick of young people, and they have already been dubbed the “dotcom generation.” As we think of an American set of demographics, we have two bubbles: we have gray folks and we have young folks and they are going to converge in a marketplace and in a business community in very interesting ways.

What do these demographic changes mean for transportation? They mean roughly the same things they mean for businesses—a different kind of worker and a different kind of work environment. The aging of America is going to create a severe shortage of what many used to consider a “typical” worker—the young to middle-aged white guy with a college degree. Instead, offices are going to be populated with older workers. In fact, in 25 years, there could be more workers over the age of 55 than under, with a lot more ethnic and gender diversity—and guess what? That is good.

The concept of retirement will be changed because people will be living longer, they will be healthier, they

will be more productive, and they will want to be more productive. They will sort of retire and sort of work. They probably will not work full time but will find some balance between working and leisure, and “gone fishing” will not really be a retirement slogan; it will again be just a weekend activity.

Remember that number 65 we were talking about; it is going to lose some of its meaning because people will be working in some capacity well into their 70s and 80s, and maybe, with a little feat of genetic engineering, even into their 90s. If we believe the aging of America is a real phenomenon, then the question is what do we do about it?

When it comes to transportation workers and we think about equipment operators like truck drivers and locomotive engineers, we should be revising our recruiting efforts to include more older workers—women, immigrants, minorities. We should look for workplace technologies that will enable and support older workers and women workers. Some say we should be bracing ourselves for increasing labor costs because older workers may demand more money for the knowledge and the skill and the experience they bring to the job. On the other hand, maybe we can cut a deal because they do not necessarily view work as primary income; they view it as added income.

Should we be prepared for an avalanche of new government regulations resulting from heightened concerns, both fair and unfair, about safety and responsibility issues associated with older workers and immigrants and women in the workplace? We might call it geriatric ergonomics—there is an expensive concept for you.

The second demographic shift—the arrival of the dot-com kids—will have even more radical ramifications. They will be the first human beings to come of age in a completely computerized environment. They will be different. They will go to the web first for all their information and they will get it. They may be more business aware as some suggest, although their orientation may be unconventional by today’s standards. Many will not be interested in jobs as we have known them and as we have righteously defined them. They will be interested in ownership and entrepreneurship. They will be less interested in fixed schedules and career ladders. This may ultimately lead to the demise of the 9-to-5 workday at the office. To this new generation, there will be less clear lines delineating work time and personal time. They will be portable people, demanding portable stuff—work, leisure, benefits, communications. They will expect to work when, and how, and where they want. Remember, we are raising these people to be assertive and pushy, and they will return the favor.

Consider a work environment that sounds like this: it is 10:50 in the morning at some coffee shop in the city. You have work papers and newspapers strewn all over a table. You have a cell phone and you have coffee. This might be a new workplace and it might not be unpro-

ductive. Company loyalty will become a thing of the past; some say it already has, as individuals, especially in the technology sector, sell their knowledge and their skills to the highest bidder on almost a daily basis.

All this could lead to still more radically different ideas about work because many information technology (IT)-based activities can legitimately be done from home. We might also see that a number of individual-based businesses will exceed the number of conventional businesses. By that I mean there will be more self-employment, one-man, one-woman virtual corporations and more individual responsibility. That too is good.

The industrial work model of the 20th century locked us into wage-based jobs that provided clear guidance on when and how to work. The knowledge-based work of the 21st century will leave a great deal up to the individual. Flexibility, independence, ownership, personal responsibility—these might be the hallmarks of the new workplace. In a way, and it is an interesting thought, this may take us to a very distant past—100 to 150 years ago when the home was the focus of life. We lived there. We worked there. We were treated for our illnesses there. We kept our aging parents there. We entertained there, and we died there. Does this suggest we are going “back to the future” as technology enables us to live, work, and be entertained at home?

It is an interesting phenomenon, but this old at-home model and this new at-home model have one dramatic difference—information. A hundred years ago, we were isolated. Our communities were insular. Our road network was essentially embryonic. We had no television, no phone, no computers, only a few newspapers, and a few misinformed neighbors. (We still have the misinformed neighbors.)

Today, information is everywhere and it certainly will follow you to the place you live and maybe work. Unquestionably, these fundamental shifts will require us to think in new and different ways about the elderly, the workplace, productivity, and personal responsibility.

What does this mean for transportation? If you are in the trucking industry, as I was, personal freedom and flexibility have always attracted people to the cab of a truck, and if you throw in a computer as they already have, you have essentially people working in a mobile home.

If you are a railroader, mobility has always been a part of that culture and that history. However, a heightened notion of freedom to act is going to bump into union rules about workplaces and hours and supervision.

If you are a logistician, and in the third-party logistician business, managing the movement of freight or people, some might say you are going to be the big winner. You are an IT-based solution that connects. Some suggest it trumps all the traditional networks. You track trucks. You may land planes. You monitor rail movements. You

manage freight flow. You follow containers. And, dare I say, you talk to the customer. One day, you might even own the customer.

We have talked about people. Now, let's talk for a second about the gadgets and other technology and what these might do to our work lives. The 1990s were a decade of lasers in which CD-ROM and fiber optics refined the uses of microprocessors. Many think the next 10 years or so will be a decade of sensors and satellites that will become cheaper and will permit us to know more about the environments we believe are relevant. We will be watching. We will be Orwellian, and we will love it.

Some examples: Miniaturization allows a videocam, with all the attendant circuitry, to attach to a computer so it translates sight into text. This apparently will cost about \$9.00 and, of course, that cost will drop. Cheap video translates into cheap eyes that can be used for myriad applications—surveillance, security, work monitoring, and probably a whole lot of frivolous things that we have not yet thought about. Micro-powered impulse radar (MIR) is essentially a radar town on a chip. It is like my wife—it will tell me when to do things. For example, because it is temperature sensitive, you can put a MIR on an engine block and it will tell you when to change the oil. Sensors will be everywhere.

In this conversation about technology, we also hear the phrase “we have a computer revolution,” which suggests that things are always changing and that is true. However, I suggest that there is no longer a computer revolution; instead it has become our way of life. If you want a leading indicator about the health of this society, take note; if the trend line for IT innovation flattens, we are in trouble. The basic home computer in a couple years will have 400 megabytes of random-access memory and one million megabytes of storage and the computer will be able to receive data transmissions at 28 million bits a second. I presume this is good. Of course, the computer is going to be accessible through touch screens throughout our houses and our offices, and these are going to have a variety of pointing and clicking and speaking and typing devices, so we are never going to be out of touch with anyone or anything. The web will be everywhere, and we will be everywhere with it because we are fascinated by it. Even if “everywhere” is in our workroom, which might be in our home.

Some say that in transportation in the not-too-distant future, trucks and trains will be driven automatically. We have talked about that. And we have always wanted to suggest that this achieves greater efficiencies and better utilization of rail and road systems, and that is probably true. I think interestingly, if not ironically, the roadway could take on qualities of road beds. They could become complete guidance systems. You could supply power. You will embed sensors in pavements and help improve signalization, flow of traffic safety issues. Onboard com-

puters obviously will keep everybody informed about everything that is happening for navigation and traffic purposes. This too has been suggested and I think it is almost a reality. The point of these notions about technology is that today's science fiction is really tomorrow's science fact, and we are not necessarily talking about in 5 to 10 years.

There is one possible problem for transportation and that is the use of people. All modes are relatively involved with labor, and privacy will become a hot topic. Instead of thinking of yourself as management, think of yourself as the workforce, and everybody is going to get a little tired of big brother or big sister watching every move they make, except if you are in charge, in which case you want to watch every move they make. So, the dotcom generation will say “What good is all that personal freedom and mobility when you are never out of eyeshot of the people for whom you work?” Technology will surely add immeasurable amounts of efficiency, but there will always be a cost and the cost will be monetary, and the cost will be emotional. It is the dark side of the technology revolution.

For corporate planners, especially in the transportation sector, it could be likened to the arms race. Everyone must buy the next generation of missile or gadget, not because they are underarmed, but because they must keep up. So, there will be an economic tension surrounding technology proliferation and nonproliferation as well as the very legitimate issues of the dehumanization of the workplace, be it a truck or a rail cab, a plane's cockpit, or a ship's bridge.

Certainly, technology does not spell the end of transportation. There will always be a need to move things from point A to point B. It is just going to be easier and hopefully it is going to be cheaper, and certainly it will be safer. Similarly, technology is neither the answer for, nor the cause of, each and every one of our problems. It will enable us to work, to live, and to compete smarter—nothing more than that. But it will achieve that result only for those who are smart enough to embrace it.

We have talked a little about a changing workplace and people and the magnificently relentless advances of technology. Now, let me focus for a moment on how these two engines of change might collide in a workplace, with the resulting explosion that could, and maybe should, obliterate old notions and old ways of thinking and leave behind an entirely new business culture.

Let me introduce five potentially culture-changing possibilities. First, some suggest that the only commodity that will really matter in the future is information and knowledge—not land, not raw materials, not manufactured products, not even physical labor. This has interesting ramifications because you used to be able to say to a factory worker, “Be on the assembly line at 7:00 and process 15 widgets an hour.” Now, in a knowledge-based

age, what do we say? “I want you to come to work at 7:00 and produce 15 good ideas?” It does not work that way. You must start by creating an environment that encourages ideas and that allows lousy ideas to surface and then perhaps lead to better ideas. We need an environment that does not view disagreement as disloyalty and that knows how to nurture and harvest the good ideas from the bad. We are going to have to create and adapt to an entirely new operating culture, at least in the strategic or critical parts of an organization. Maybe the head, if not the hands.

There is another notion: the role of the CEO might change. In fact, the entire business chain of command might change before our eyes. Individuality and self-direction might need to supplant the older command and control structures. The CEO might become more of a facilitator, an orchestra conductor, working with smaller groups of knowledge-based employees, soliciting ideas, setting broader goals, and leaving the rest of an organization possibly reconfigured to work through these suggestions.

There is a third notion that is going to change some cultures, and it is a little frightening, but, in the business you are in, you can see it coming. It is captured by the phrase, “Everything available, everywhere anytime.” Quite a concept if you are in transport, retail, and even manufacturing. Quite literally, we will be expected to deliver a product or a service anywhere at anytime the customer says. Remember, the customers are these same pushy people we have so lovingly raised. What does this mean for businesses that are not nimble, that are not fast, that are not global, that are not responsive? Marginalization is a word that comes to mind.

There is a fourth concept that is already alive and well. Every company will be vulnerable to competition—not just from Main Street, but from mainland Europe to mainland China. Globalization brings us immense markets and that is the part of the globalization story we always think about because, of course, we are selective listeners. Globalization also brings us immense market competition. Again, to stay competitive, we will need to embrace constant innovation.

Finally, the role of the customer is going to change dramatically. Very soon we will no longer live in an economy that merely mass produces products, advertises them, and hopes people buy them. The increasingly well-informed and demanding customers will no longer automatically accept products and services dreamed up by businesses and promoted by their ad agencies. In response, a new business model will emerge. The customer, interestingly, could become part of the production process from the earliest stages. The potential buyer will be inputting information along the way. We would do it now except we would call them focus groups. They are going to help shape the product or service. It is components. It is packaging. Maybe it is even delivery to the marketplace.

What we have been discussing in our journey into the near future is the fact that we are traveling on a vehicle powered by technology and powered by people. But almost every vehicle has brakes—things that can slow it down. Brakes are very valuable because they can ensure a more prudent approach to wherever you are going, but brakes are valuable only if you know how to use them. The brakes on social and economic progress are government and politics—a world in which I live every day.

Before I close, let me say a few words about the political environment in which we live and work. Governance—and governance is why we have government—governance changes more slowly than anything. Some say that is good. It certainly makes it a difficult area to forecast. We regularly hear about a few broad trends that are supposed to be taking place and affecting the governance of our society. I suggest we should be careful about what to believe. Because our country is growing older, it is supposed to be more conservative and therefore opposed to more government. But, in the face of that folklore, the role of government continues to expand exponentially, not just in its size but in its reach, with no end in sight, especially in an era of huge projected surpluses. I suggest, with all due deference to my good friends in government and having come from that community, I suggest that we should be concerned about this, and I will tell you why.

I will say again, I enjoy the government. I have great respect for it and I happen to thoroughly enjoy Treasury Secretary Larry Summers, who commented that “you can’t love your country and hate your government.” But our government, like all governments, is genetically predisposed to regulate. That is what government does. It has a nearly unlimited capacity to do it.

Furthermore, and listen to me very carefully, I am respectful when I say that government does not always understand what it is regulating. It does not always understand who it is regulating. Many times it does not always understand the consequences of its regulation. It thinks it understands and it wants to understand, but unfortunately too many times it does not understand.

When it comes to notions about the role of government, the biggest mistake that business can make is to believe that our particular industry—our niche, our product—is a safe harbor from government regulators or, worse, government litigators. There is no better example than the alarming rise in government-sponsored litigation against completely legal, but socially unpopular, industries—tobacco, gun manufacturers, lead paint producers, software makers, and the list grows longer every day.

Who is next? Well, how about those industries associated with, say, possible toxic emissions, industries associated with rumored environmental damage, or the alleged unsafe use of planes and trains and trucks and ships?

Unfortunately, today the government is happily aided by a handful of trial lawyers who have become the vulture capitalists of the new century. They are targeting deep-pocketed industries with class action lawsuits, frightening stockholders and stock analysts, savaging a company's reputation in the marketplace with only one objective—to force business after business to make huge cash settlements to end the nightmare of public relations they have wrought. Where does the cash go? Sadly, not to the victims; instead it goes into the pockets of the trial bar, who use their fees to finance more class action suits, the campaigns of elected state court judges, and the war chests of their favorite politicians. This is why the U.S. Chamber of Commerce has made legal reform a top priority and why everyone in the business community should be arguing for legal and regulatory relief that solves problems, imposes equity, and rewards the legitimately aggrieved and not the greedy.

Please do not misunderstand me; government, when it behaves as our founders intended, plays a wonderfully beneficial role. It can be likened to a benevolent cop guiding the traffic patterns of a very complex society. But it is

our responsibility as the citizens of that society to ensure that it does not overreach or interrupt or overmanage the free society and the unfettered markets that it is intended to support.

Some view the future with fear and trepidation. As you can sense, I loudly disagree. We should view these potential changes with a great sense of excitement. The future was not thrust upon us. We invented it and now we should use it to our advantage. Americans are blessed with a short history. We are not burdened by a thousand years of customs and constraints like our European cousins. We are young. We are resourceful and we are creative. That should almost be the definition of an American of any age.

In this time of massive and relentless change, we really have only two choices: we can cling to the past, or we can embrace, manage, and create the future. Transportation will be at the center of those changes. It should be a laboratory for technology and it must be an incubator for ideas. It is the backbone of the economy. It has to succeed, and it has to succeed not just for your sake, but for the country's sake. Thank you very much.