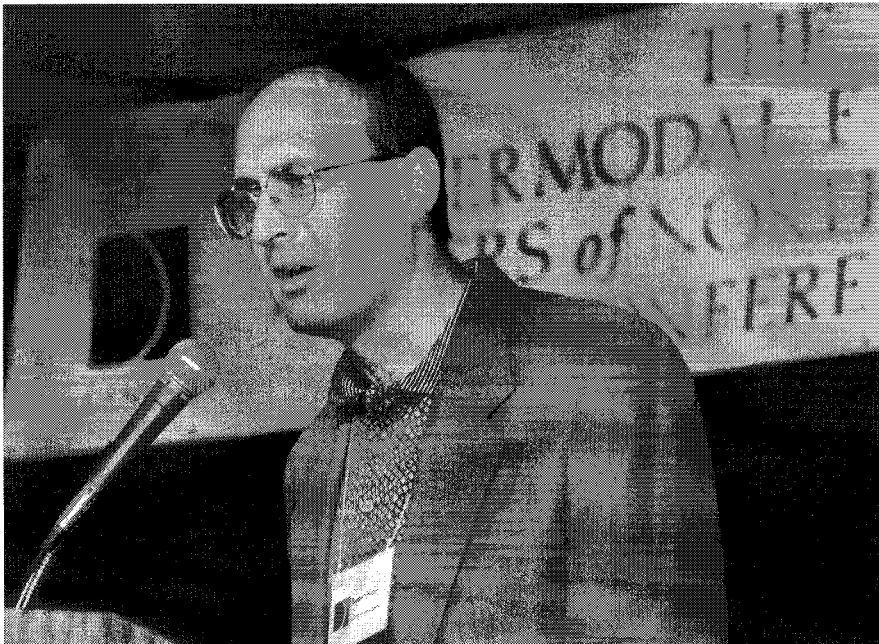


## II. KEYNOTE PRESENTATIONS

### Service Equals Growth

**Lester M. Passa**

President and CEO  
CSX Intermodal



John Snow, the chairman, president, and CEO of CSX Corporation, had planned to be at this Intermodal Founding Fathers of North America Conference, but over the last 60 days, he split Conrail, transitioned the management team at CSX, and sold the liner company at SeaLand. John has been an advocate of intermodal since his days at the US Department of Transportation, and when he joined CSX in the mid-1980s, one of the first things that he did was create CSX Intermodal. He saw the wisdom of a group of people, led by Neil Porter, to take this industry to a new level. He sends the following personal note to you:

*"To all of my friends at the ITT's Founding Fathers of North America Conference: I deeply regret that I cannot join you to honor our industry's heroes,*

*those visionaries who recognized intermodal's potential and built the foundation on which this great industry has grown and flourished. I cannot think of any part of the transportation industry that has been blessed with so many gifted and far-sighted individuals. I am thinking of Malcolm McLean, Phil Yeager, Don Orris, Tom Finkbiner, Neil Porter, J. B. Hunt, and a host of others, all outstanding leaders who took notions, concepts, and goals, and quite honestly, by sheer force of conviction and determination, made intermodal a reality. Because of you, our industry is strong and poised for even greater success. At CSX, we know that we have only just begun to tap the potential and the possibilities that intermodal presents, and we have made a huge investment in intermodal. The ultimate success of the Conrail merger depends on intermodal growth; it depends on bringing new transportation efficiencies to the nation's major consuming markets and ports. And, it really depends on taking intermodal to a whole new level of excellence. I am sure that you will talk about many of the things the industry is doing to enhance the intermodal business. But, we believe one of the ingredients, one of the critical ingredients, is the manner in which we must all continue to work together more closely—shippers, railroads, motor carriers, steamship companies, and logistics professionals. Cooperation is at the heart of our business; it is what makes intermodal work and will be at the core of any success that we enjoy in the future. I am proud that CSX is taking a prominent role in the Intermodal Founding Fathers Oral History Program. Our level of involvement is an indication of CSX's commitment to the future of intermodal transportation—a future filled with opportunity, thanks to the leaders that are being honored. I am proud to consider myself a part of you and all that you do. John Snow.”*

These comments come from John's heart and reveal his thoughts about the intermodal business and the respect that he holds for its founders. And, in my basically short time at CSX Intermodal and in the intermodal industry, I have to endorse these sentiments wholeheartedly. Intermodalism is still a relatively young industry, but the Hall of Fame is an impressive one. We owe a debt of gratitude to the visionaries who have had such a profound impact on the development of this industry. I would like to mention a few of these visionaries; by mentioning these few, however, I am slighting no one. I think of Phil Yeager, who went out and invigorated a whole industry and basically brought a level of professionalism and common sense to our business in the process; Don Orris, who took a nationwide stacktrain network, saw the economic efficiencies, and, needless to say, sees the value of continuing; and J.B. Hunt, who had the guts to put his trucks on trains. I think of Tom Finkbiner, who took the best of the road and the rail in the hybrid called “RoadRailer.” He started small, and through persistence and technological improvement, he has produced a very effective, very high customer-service company. And, I think of Neil Porter, who took over the reins at CSX Intermodal about 14 years ago and brought a whole new level of professionalism, creativity, and innovative thinking. And, when I think back over the last 10 years,

one of the driving forces behind the growth of intermodalism was the bold move by J.B. Hunt.

When I was at Conrail in the mid-1980s, I was a planner in the intermodal group and worked for Gordon Kuhn, a champion of intermodal. We went to an intermodal expo and met with people from J.B. Hunt and others. On the way back, Gordon put a plan together to open Conrail's network. He decided that it was time to create doublestack clearance efficiencies for both of Conrail's routes, now called the NYC (former New York Central), which is the CSX route over the water level, and the PRR (former Pennsylvania Railroad), which is the Norfolk Southern route through Pennsylvania. However, had Gordon not made that decision in the mid-1980s and made things happen, we would not be, in many cases, where we are today with Conrail. Gordon felt that it was an investment in the future. Fundamentally, it was this investment in the infrastructure of the business, and the personal commitment to make it happen, that is now letting customers of both CSX and Norfolk Southern reap the benefits of having two competitors with extensive capability in the Northeast.

### **Service Equals Growth**

In reflecting on these people and what happened, I think about one equation—service equals growth, which is probably the hardest equation in the rail industry to comprehend. These individuals, and others, have forced this equation to be understood. It is a mathematical equation. And, it is one of the shining lights in the rail business in the last 25 years. All of these men, and so many more men and women throughout the industry, set the stage and laid the foundation for where we are in 1999. We have come from circus trains and manifest humps to \$50 million state-of-the-art intermodal terminals. We have gone from “ho-hum” service to service that fundamentally hums.

The merger-related road bumps that have occurred over the last few years are not long-term. Service was humming up until the split of Conrail. We have gone from handling a total of 3 million units to over 10 million units in the US. Transportation officials and political officials from all over the world travel to visit our terminals, to pick our brains, to talk to our people, to watch our trains, and to study our best practices. It works here. There is a reason for this Intermodal Founding Fathers Conference and for the Intermodal Founding Fathers Oral History Program. It is because we have outstanding people who have built an outstanding industry. I am proud to be a part of this industry and proud to be among you.

### **Growth from Challenges**

The challenges that we have faced and have overcome over the last 20 years—lousy service, inadequate infrastructure, damaged freight, abysmal customer service—were tough. However, just as the legacy of the founding fathers was to meet these challenges head on, it must become our legacy in 1999 to meet the challenges of the future. We know that we have to achieve a higher and more consistent service level. We need to broaden our market reach. We must continue to use technology to improve everything that we do at the terminal, on the trains, over the liner road, and across the Internet. These challenges can be met. There is a large statue of a horse in front of the Federal Trade Commission Building. The muscles are just bristling, as it is ready to go forward. This horse is intermodalism as it prepares for the millennium.

### **Growth through Investment and Technology**

There has been much said about capacity and capital investment. In the past two years, CSX has spent \$125 million on new terminals in places like Chicago, Philadelphia, Atlanta, Savannah, and Cleveland. We have invested \$200 million to build a new double-track, high-speed railroad between Chicago and Cleveland, which was the single biggest project CSX or any of its predecessors had ever undertaken. All of these efforts expanded capacity on the intermodal network. We were not alone in that process. Norfolk Southern, Burlington Northern Santa Fe, and Union Pacific have all made similar capital investments to prepare for growth.

In addition, we are becoming one big dot-com world. The real question is what is this new technology going to do to the business of transportation in the 21<sup>st</sup> century. The introduction of the automobile, the airplane, and the microwave oven has fundamentally changed the way we do business in 1999. And, for 10 years, people have been talking about how this new technology is going to change the way we do business, and we are now beginning to see its impact. It will change the way the world trades, the way it communicates, the way it builds, the way it inventories, the way it does everything.

We all have to become foot soldiers in this technological revolution. The new graduating classes of students must look at the utilization of technology and how it can change the business processes and how it can allow growth in capacity without more physical assets but just by having better information. We have only begun to scratch the surface in understanding the changes that are going to be driven by the shift to a dot-com world. Becoming a preeminent leader in Internet commerce is one of our most important challenges.



*As one of the Honorary Fellows of the Intermodal Transportation Institute (ITI), Lester M. Passa is presented a certificate of recognition, honoring his contributions to the development of the intermodal freight transportation industry of North America, by Gilbert E. Carmichael, chairman of the ITI Board.*

We have a lot of hard work ahead of us. We have been talking about improved service for years. I believe that the railroad mergers will finally give us the opportunity to cut down on the number of handoffs, to build new products, and to provide terrific single-line service in many of the markets that we serve. Improved service is within our reach. With better and more consistent service, we will broaden our reach to shippers who have never used intermodal and to truckers who have never seen an intermodal terminal. With better technology and by becoming a leading citizen in the dot-com world, we will make our trains more efficient, we will move goods through our terminals faster, and we will make doing business with us easier. I am confident that we can meet these challenges and that, together, we can move this industry to the next level of sustained excellence.

As a Founding Father, your job is not done. All of us will continue to call on you and look to you for guidance, insight, direction, wisdom, and pointers. We are all students of the game, the intermodal game, and together we will never stop working and striving to make intermodal the leading force in North American transportation.

