

U. S. Department of Transportation news:



Office of Assistant Secretary for Governmental and Public Affairs
Washington, D.C. 20590

REMARKS PREPARED FOR DELIVERY BY SECRETARY OF TRANSPORTATION
BROCK ADAMS, TO THE TRANSPORTATION CLUB & CHAMBER OF COMMERCE,
SPOKANE, WASHINGTON, MAY 16, 1979.

I want to talk today about transportation and the energy crisis.

The President warned two years ago that the energy situation would get worse -- unless we took precautions.

We didn't -- and it has.

A "one-armed bandit" used to mean a slot machine. Today it's a gas pump. And we're seeing what happens when the availability of gasoline is threatened -- when something comes between people and their cars.

In California last week motorists were waiting in line up to four hours to buy gas. On a somewhat smaller scale, the same thing happened in the Washington, D.C. and Northern Virginia areas.

Some drivers in Southern California were getting up at 4 a.m. to line up for fuel.

One man bucked a long line and began pumping gas, brandishing a gun when other motorists protested. He was still pumping gas when the police came and disarmed him.

Even the hardware business is good. One dealer sold his entire stock of two-gallon gasoline cans to a man who admitted he had been working one particularly hard-hit area, selling stranded motorists the cans of gas for 20 dollars apiece.

- more -

The present situation is the result of the international oil cartel on the one hand, and public apathy on the other.

The petroleum industry controls the world flow and allocation of the oil, but there has been no control over consumption.

If Congress had enacted the standby gasoline tax or the wholesale gas tax and a standby rationing system in 1977, much of the current problem could have been avoided. We could have captured a part of the price increase, through the tax, and put it to work for us, and our people would have known what to expect if supplies declined.

The tendency is to blame government, but in the years I have served in Congress, and in the executive branch, I have learned that we should not expect more of the political process than it is capable of doing.

I have found, for example, that rescuing bankrupt freight railroads can be a full-time job, but government cannot do it without state and private companies making an effort. I have offered a \$20 million federal loan guarantee to keep the Milwaukee railroad operating until a permanent solution can be reached. But that solution must include a potentially solvent "core" railroad and state subsidies for line segments that otherwise would be abandoned. In the future the railroads' financial problems will only be solved by their being able to price their services and operate their business with less government regulation on rates, and with modernized management and labor systems.

We are moving today away from government regulation, not toward it in the railroad industry, because under ICC the companies became too rigid and did not meet market changes. So we want to change that.

The national debate on the oil industry and market forces has now started for real. The market forces presently at work in the oil industry are not, for the most part, free market forces. What we have is an international oligopoly -- an oil cartel -- capitalizing on the heavy worldwide demand for a resource whose production and price are controlled by the countries and companies comprising that cartel or living under its protection as to price and supply.

A barrel of oil that costs less than a dollar to get out of the ground in the Middle East and now brings nearly \$18 on the world market is not a free market product. We can expect further price increases until some signs of real resistance show up, either through tough conservation efforts leading to substantial cutbacks in consumption, or the development and widespread use of alternative fuels and transportation systems, because price is now determined from the demand side -- not the supply side of the market.