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NEIL GOLDSCHMIDT, DENVER CHAMBER OF COMMERCE, DENVER, COLORADO,
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I do not think there is another state in the Union that understands the twin issues of energy and the economy any more fully than Colorado. Nor are there people in any state who appreciate the way these issues currently affect our day to day lives, or the way in which they will determine our future quality of life with quite the same keen awareness of Coloradans.

For in a special way, your state uniquely represents the values we hold dear as a nation -- the values of independence, of hard work, of conservation and opportunity -- and your state offers testimony as well to the massive transition we are engaged in both in terms of energy and the economy to safeguard those values for our children and our children's children.

I come here today, in part, as a spokesman for the Carter administration, and it is worth noting, at the outset and almost in passing, how some of the candidates for the office of the President approach these complex and pivotal issues -- the issues which I believe will determine our future more than any other matters on the current national agenda.

There is one candidate who proposes that we artificially hold down the real costs of energy -- in effect prevent the market place from encouraging conservation or stimulating the use of our domestic energy resources -- while imposing wage and price controls on the rest of our economy.

But it is unclear how those controls would work. For example, consider our most recent experience with controls. In 1974, just before the Nixon controls were lifted, items exempted from controls included, in alphabetical order: aluminum, automobiles, canned fruits and vegetables, cement, coal, fertilizer, furniture, mobile homes, paper, petrochemicals, prepared foods, all retail trade, rubber tires and tubes, semi-conductors, shoes and other footwear, and zinc. Today would wage/price controls include energy, food and housing -- the real sources of inflation --but at the cost of greater dependency on OPEC and a nightmarish bureaucracy?

Another candidate proposes we slap an immediate 50 cent tax on gasoline -- a proposal which would quite simply result in the transference of our auto industry, steel industry and rubber industry to Japan.

Still another candidate has an economic plan unparalleled in its simplicity: He says that the more we cut taxes, the more we take in. At the same time, the more we spend, the smaller the deficit becomes. The more you heat up the economy, the lower the inflation rate goes. Are you following this? It's the kind of plan that brightens the eyes of people who are eager to buy the Brooklyn Bridge.

The reason I raise these examples is to point out a simple truth: our national energy and economic problems are not simple in their construction and they will not yield to simple solutions. Like it or not, simple solutions are false solutions.

It has taken us the better part of 40 years to become dangerously dependent on foreign oil, to allow our industrial base to become obsolete and inefficient and to ignore our fundamental instincts as a people for productivity over inefficiency, for work over waste, for competition over regulation. Does anyone here really believe that these problems can be solved in a matter of months?

Today, our nation is alert to the threat that is posed to our security, our economy, our quality of life.

Today, our nation is on the offensive against inflation, against oil dependency -- and not just our government, but an emerging partnership between the public and private sectors that recognizes the unprecedented changes that have taken place in the convergence of re-defined world energy and economic realities -- changes that have come in abrupt fashion in a brief period.

Today our country is in the midst of a period of national transition -- shedding the obsolete assumptions of the past for a new and uncharted future, while holding fast to the values and beliefs that have illuminated the American experience as an example for the world. Our ability to manage our way through this transition will mark a new chapter in our

nation's book and give future generations the true measure of our character as a generation tested by change.

It is a test shaped first, I believe, by the new world energy reality which confronts us.

For almost 40 years, this country grew and prospered on one guiding assumption: unlimited cheap energy.

Based on that assumption, after World War II we did away with the transit systems in our cities and came to rely almost entirely on the auto -- and not just any auto, but the biggest gas-guzzlers we could afford.

Based on that assumption we built sprawling, low density communities that re-inforced our dependence on the auto. Enjoying the luxury of miles of separation between home and work, we would commute each day -- alone -- in our cars. And in our homes, our businesses and plants we were as heedless of our use of energy as in our transportation and land use habits.

Why not?

After all, our assumption told us that oil was cheap and abundant and always would be.

But today we are paying dearly for the folly of that assumption.

Today our over-dependence on a fragile supply of oil from a turbulent part of the world is sapping our economic strength, putting thousands of Americans out of work, and jeopardizing our ability to act independently in the world arena.

Consider the dimensions of our over-grown dependency.

In 1973, this country spent \$8 billion for foreign oil.

This year, we will ship almost \$90 billion overseas. In a little over a year, the average price of the crude oil we import more than doubled -- and our only choice was to pay the price.

And it is a staggering price -- not only in terms of a direct dollar drain, where we are as much as sending \$10 million abroad every hour for oil -- but in terms of our balance of payments, for foreign fuel-efficient autos as well as for the foreign fuel; in terms of inflation, where rippling oil costs account for almost one-third of the rate of consumer inflation; and in terms of our exposure to economic and political blackmail from the nations of the world upon whom we depend for oil.

We simply cannot afford to allow this threat to continue. No one but Americans should be in a position to decide American foreign policy or American domestic policy.

It is that commitment which is guiding us through the energy transition -- so make no mistake, we are already making the transition that changing events demand of us.

President Carter's energy policy and program promise to unleash our nation's vast productive capacity to supply the energy we need from domestic sources.

At the same time, to lead us through the transition we are turning to the cheapest, most readily available, most sensible energy source we can find -- conservation.

Already we are making substantial gains through conservation:

- * Last year, oil use declined by roughly five percent; this year, it is down by almost nine percent.
- * Last year, 12 percent of all American families fully insulated their homes.
- * The average car is being driven 15 miles per week less and new domestic cars are becoming increasingly more fuel-efficient -- over 21 miles per gallon this year compared to under 13 miles per gallon in 1974.
- * And U.S. industry, perhaps the sector most sensitive to changes in energy cost and the expense of waste, has cut energy use per unit of production by 16 percent since 1974.

The message is that we are making the energy transition. There is more to do -- and I'll come back to that in a minute -- but I believe that today we have the leadership and the national determination to work our way through this period of change.

In our economy, the forces at work are almost identical to what we face in energy.

As is the case with energy, our basic assumptions about the economy date back 40 years. Coming out of World War II ours was the most productive, most technologically advanced, most innovative economy in the world. And we were the largest, most affluent market in the world.

We assumed that these advantages were ours, guaranteed somehow. We assumed that we would always have the wealth in our national treasury to buy our way out of any problem; that we could afford the expense of throw-away industries centered in throw-away cities. We assumed that

our market at home was large enough that we could afford to ignore the rest of the world.

Today, again, we realize the folly of those assumptions. For the trends in the manufacturing sector of our economy are sounding like an alarm bell in the night.

- * The auto industry, which supplies one out of every six jobs in this country is in serious pain -- not just because of its failure to anticipate energy trends, but because foreign competition has developed industrial strategies which target on our market.

- * Our domestic steel industry -- an industry critical to our national security -- is in decline. Twenty years ago, the United States imported 3.4 million tons of steel, 18 percent of which was Japanese. Four years ago, the amount of imported steel had jumped to more than 14 million tons, 56 percent of which was Japanese.

- * At the same time, U.S. production of critical industrial items as a percent of world production has dropped across the board in virtually every significant sector of the manufacturing economy. Between 1967 and 1976, the U.S. share of raw steel production declined by six percent, tires declined by six percent, aluminum eight percent, and motor vehicles eight percent.

- * Finally, the rate of productivity and investment in plant and equipment in this country has not kept pace with those in Japan and Europe. Between 1960 and 1978, the average annual rate of productivity improvement for manufacturing in this country was 2.8 percent compared with 8.2 percent in Japan and 5.4 percent in West Germany.

What these figures represent is a changing economic climate in the world.

The convergence of these economic changes with the energy changes can mean an opportunity for America -- it can mean the beginning of a new era in this country where we re-tool our obsolete industries as we re-tool our obsolete assumptions. It can mean the emergence of an American ideology for the 80's that combines our instincts for conservation with our talents for production.

The cutting edge of change in shaping this strategy, I believe, can come from transportation -- for transportation is the thread that holds together the fabric of our economy. In our programs and in our investments we can shape a strategy that yields a nation more conserving in habit and more efficient in product:

- * We can, and will, return privately owned and operated railroads to national health. Our energy program requires it, our drive for efficiency demands it.

- * We can, and will, reform the regulation of trucks, to re-introduce competition and save consumers \$5-8 billion per year by 1985.
- * We can and we will stress maintenance and preservation of our highway system and transit systems. Where we have an existing investment, we will end the national habit of letting it rot. Where a new investment is pending, we will push for a decision, one way or another -- for delay is waste.
- * We can and will eliminate bottlenecks and inefficiencies in the transportation network that make it more expensive for our producers to export and more expensive to our consumers to buy what we import.
- * We can and will eliminate waste in daily transportation habits by emphasizing ridesharing and transit use as sound ways to save money, save energy, and save mobility.
- * We can and will go on the attack to re-tool America. In the decade ahead we will build a partnership between the public and private sectors to work in common toward our common goals. There will be no idle watching of the export of American jobs and American industry to foreign shores. Instead we are prepared to take the offensive, standing beside American workers and American managers, to express our confidence in our work force, to express our commitment to competition.

This is our strategy to handle inflation, to respond to the challenges of energy and the economy. It does not offer simplicity. What it offers is hard work, for all of us. But we are a nation accustomed to hard work in support of principles. And we are mindful of the warnings of the French general who described his nation's fate: "Our spirit of enjoyment was greater than our spirit of sacrifice. We wanted to have more than we wanted to give. We spared effort and met disaster."

We have it now within our reach to choose our own course, a direction for this country to take us into the next century. Working together, I'm confident we will succeed.

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