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REMARKS PREPARED FOR DELIVERY BY U.S. SECRETARY OF TRANSPORTATION NEIL GOLDSCHMIDT, TO THE ENERGY EDUCATION SEMINAR UNITED STEELWORKERS OF AMERICA, PITTSBURGH, PENNSYLVANIA, SEPT. 27, 1979.

I feel I have come to the right place to talk about energy. This is a city that symbolizes the significance of energy in our society -- both the production of raw energy and the use of it to move our nation.

I have also come to the right audience. Your union has worked hard to guarantee good jobs and fair wages for your members, and you have always supported what is best for our country.

Those principles are being threatened today by an energy situation that is robbing us of jobs, diminishing the value of the dollar, and eroding our economic stability.

Lane Kirkland was right. The issue is freedom. It is not just a question of where our next gallon of gasoline is coming from and how much it will cost. It's not simply a matter of 78 degree thermostats and 55 mile an hour speed limits.

The challenge is survival -- our survival as a free and solvent nation. Our economic independence is at stake.

Because -- and let's make no mistake about it -- the energy crisis gnawing at our economy and chewing on our personal pocketbooks is an assault on our freedom; our freedom to set and to seek our own economic destinies, as individuals and as a nation.

Challenges to our independence are not new. We have been here before. Our forefathers fought for our political freedom; your fathers fought for labor freedom. Now it is our common obligation to fight for our country's economic freedom. The enemy is inflation; energy its principal weapon.

Here in Pittsburgh you have your Pirates and your Steelers --and both are winners.

The oil world has its "pirates," too -- "stealers" of your hard-earned dollars -- and they will also win unless we say "stop! enough is enough!" We will not sell our birthright in freedom for a barrel of oil paid for in the blood of lost jobs and shrunken dollars.

As I said, we have been there before -- 40 years ago, for example, when America was faced with a distant threat of another kind.

The fundamental issue -- then, as now -- was American freedom and our role in the world.

Then, as now, there were those who hoped the problem would go away or that we could remain aloof from the growing threat from abroad.

World War II, of course, could not be avoided. Fortunately, we had a strong president in the person of Franklin D. Roosevelt who understood -- in time -- the need for a strong, unified, prepared America and rallied the resources of our nation in the most successful defense of human liberty and freedom of choice ever carried out.

Four decades separate us from that era. More than 123 million of our people -- I among them -- have no personal memory of World War II. But the history books remind us that America responded to the challenge. In the words of FDR: "Born in freedom, and believing in freedom, we were willing to fight to maintain that freedom."

We must be equally willing to fight today -- not a shooting war, but a war of conquest over our fears, our doubts and our dependence on foreign oil. We must battle to overcome our addiction, if we are to be free from the tyranny of monopoly pricing and the hold OPEC has on our economy.

That's why I'm glad we have a President today who, like FDR, recognizes the clear danger to our country and has proposed a bold, straightforward and comprehensive plan to deal with it.

The call today is not to international combat but to domestic courage. The danger is no less real today than it was then, nor can the challenge go unanswered. Consider the damage being done to our economy:

* Higher oil prices today account directly for a third of the consumer inflation rate.

* The most recent OPEC price increases are costing our economy an estimated 800,000 jobs this year.

* The 46 percent rise in energy prices is the same as a \$42 billion tax increase, but without any useful return to the economy.

* Oil imports now cost us \$50 billion a year -- \$300 for every man, woman and child in our country -- and will cost an estimated \$70 billion next year.

The short of it is that we are suffering from price shock. It is energy price shock that reverberates through our economy, feeding inflation and demeaning the value of the dollar at home and abroad.

Moreover, the problems of energy and inflation together have given the American people the feeling that life is not going to get better. You know the feeling. I know it. It's producing what the President has described as a "malaise" in our society. We are uneasy about the future -- skeptical that any "catch-up" wage increase can ever overtake inflation -- and intimidated by an energy scarcity we fear will change our lives.

The grim irony in all of this is that we are better equipped in the United States than in any other country to stand on our own energy resources.

-- We are sitting on top of enormous reserves of coal and oil shale, far exceeding the petroleum resources of Saudi Arabia.

-- We have the equivalent of another North Slope in the heavy tar-like crude oil found in California, and equally large resources of oil-bearing tar sands are just across the border in Canada.

-- We have trillions of cubic feet of natural gas in the Rocky Mountain basins, amid the shales of the Appalachian basin, and in the methane from the coal seams and geopressurized deposits in the Gulf of Mexico.

-- We have, by some estimates, more than 27 billion barrels of oil in domestic shale deposits as well as vast quantities of coal -- far exceeding the petroleum resources of Saudi Arabia.

We are also well qualified by tradition, by technology and by human resources to undertake the difficult and perform the impossible. America's genius has never disappointed us and American labor has never failed us. We built a synthetic rubber industry from scratch during World War II, harnessed nuclear energy, and produced more steel and steel products than anyone ever thought possible. We have since gone on to take the moon into our technical orbit, and sent our space vehicles to Mars, Venus, Jupiter and Saturn. I cannot, and will not believe

that we lack the skills or the resourcefulness or the willingness to protect our independence and put our energy future in American hands again.

As I see it, we have three choices.

One; we can ignore the problem, pretending that if the gas lines are gone, the problem is gone.

Two; we can leave the problem in the hands of the oil companies, assuming that they will act in the best interests of our country and in the economic interest of the consumer.

Or, three; we can implement President Carter's program which captures private profits for public use in helping (1) to conserve energy while (2) we develop alternative fuels.

Choice one offers no solution. It is an illusion of security -- the "Maginot line" of energy policy.

Choice two is a false hope. It hands the job of solving our energy problem to those who stand to gain handsomely from it. As industry critics have pointed out, the oil companies have no real incentive to keep prices down or put pressure on OPEC to be reasonable in its pricing, because their domestic holdings -- including other energy resources such as coal and uranium -- become more valuable every time OPEC raises the price of its oil.

The third choice is the only choice because, under President Carter's windfall profits tax proposal, the estimated \$143 billion the oil companies will reap in excess profits will go into the public Treasury, instead of company pockets.

Now in case anyone here is suffering any sympathy pangs for the oil companies, let me say that I am a firm believer in our economic system and the right of any business, under that system, to a fair earning.

But what the oil companies want is neither fair nor an earning. It isn't fair to the American consumer and it isn't money those companies have earned. The rise in oil prices has added enormously to the value of the industry's domestic deposits, without the companies doing anything themselves to earn that increase. Industry profits, as you know, already are high and while the costs of exploration admittedly can be steep, oil investments in the past in research and development do not make a strong case for presuming that future profits would be used for those purposes.

In a Business Week survey of companies in 30 different industrial sectors, R and D investments averaged 3.5 percent of sales and 62 percent of profits. For the oil industry, on the other hand, R and D accounted

for only 0.4 percent of sales and 8.6 percent of profits -- 800 percent less than other industries.

I think, therefore, it is fair to ask why, in an industry rampant with research opportunities, research expenditures as a percentage of sales or profits are so low?

I think it is also reasonable to ask why in an industry that earned \$12.7 billion in profits in 1978 and profits at an even higher rate in the first quarter of 1979, those same companies are looking for a hundred billion dollars more in tax breaks over the next 10 years?

The correct choice, and the only proper course of action is to permit neither foreign domination nor corporate domination of our energy policy, but to put it in the hands of the only group that should ever have anything to say about the policies, programs and the very destiny of the United States -- the people themselves.

We have been living with the energy 'crisis' now for six years. I think that any situation which persists over so long a time cannot, by definition, be correctly called a 'crisis.' It is a condition - a circumstance of life and, like a heart condition or a skin condition, we must learn to cope with the symptoms and treat the causes if we are to survive the ailment or relieve the irritation.

Like most serious problems, there is no easy answer or miracle cure for our energy condition. But there is a prescription which, if followed, will cut our oil imports in half and break forever our reliance on tankered oil from halfway around the world.

President Carter proposed the program more than two years ago. It is based on three simple but bedrock principles:

1. Energy conservation. We waste, or use inefficiently, 40 percent -- maybe half -- of all the energy we consume. Conservation is our first, simplest and fastest route to energy independence.
2. Energy development. We are not doing enough to produce greater domestic energy supplies, including synthetic fuels. Over the long term, this is the only valid solution to the energy problem. But it is costly.
3. Energy investment. We can help pay for this massive energy revolution, not by burdening the taxpayer or by further mortgaging the Treasury, but -- as I have indicated -- by taxing the windfall profits of the oil companies. This means that while higher energy prices are inevitable, we will at least keep the money here at home and put it to work for us instead of paying it out to foreign interests.

As the late Adlai Stevenson so aptly said, "there are no gains without pains," and the program President Carter has laid out requires a measure of self-discipline, on the part of the American people and a display of backbone in the Congress.

To date we have made some progress. Five pieces of legislation* were passed by the last Congress which, taken together, will reduce the level of oil imports by about 4 million barrels a day over what they otherwise would have been.

We have reduced the industrial use of energy by six percent; increased the energy efficiency in our homes by five percent; improved the fuel efficiency of our cars; and converted a hundred utility plants to coal.

But we have come to the point now where future progress in dealing with the energy problem depends on a source of funding other than the beleaguered taxpayer.

I have never believed that any national or social problem can be solved simply by voting money for it. At the same time I do not think we should be intimidated by the prospect of large spending programs if they serve a worthwhile purpose and if they have a viable funding source. In the course of fighting World War II, history tells us, we spent more than twice as much money as the government had spent since the founding of our country. But the investment also increased our GNP from \$91 billion to \$215 billion in four years and built the foundation for the nation's massive economic development in the succeeding years.

Through the windfall profits tax we will collect \$142.8 billion from oil company revenues, to be invested through the Energy Security Fund in the most massive peacetime program in our history -- and perhaps the most important.

The President's program will create an Energy Mobilization Board which, like the War Production Board of 40 years ago, will move priority energy projects forward.

The program will establish an Energy Security Corporation to invest in coal liquids, coal gases, peat biomass, shale oil, our reserves of unconventional natural gas, and the development of other synthetic fuels.

*The Natural Gas Policy Act, the Fuel Use Act, the Energy Tax Act, the Public Utilities Regulatory Policy Act, and the National Energy Conservation Policy Act.

The program will provide, through the Energy Security Fund, \$16½ billion from windfall profits to improve public transportation in our cities, the fuel efficiency of our automobiles, and the use of ridesharing and bus lanes. This proposed expenditure will increase the national investment in public transportation from the \$15 billion level of the 1970s to approximately \$50 billion in the '80s. It will extend the life of the automobile by financing research into more fuel efficient engines, new materials and alternate fuel sources for our cars.

Overall, the President's energy program will not only save jobs by lowering U.S. outlays for foreign oil, but will create up to 340,000 new jobs by the late eighties. And that does not include the 50,000 jobs from now through 1990 in mass transit, in weatherizing millions of homes, and in the major industries -- including steel -- that will be revitalized by energy development and the promise of energy security. We have not yet counted the thousands upon thousands of jobs for pipefitters and welders, equipment operators and electricians, and the jobs that will be preserved or added in the auto industry.

The energy program President Carter has put before Congress and the American people can do in larger measure what his steel-support program is doing for the steel industry. Earlier today I announced a \$111 million loan guarantee by the Commerce Department's Economic Development Administration to the Jones and Laughlin Steel Corporation. This loan guarantee enables J and L to undertake a major plant modernization program that will save nearly 30,000 jobs in the steel industry, here in Pittsburgh and in other J and L facilities.

The purpose of the Administration's steel-support program is to help U.S. producers compete against foreign producers. It's to keep jobs here, not send them overseas; to produce exports, not imports. And what the steel program is doing for your industry, the energy program can do for every industry that runs on oil.

I support the President's energy program all the more because I think the real barriers to energy self-sufficiency for our nation are not economic or technological, but a timidity of spirit that is not in keeping with our past or justified by the challenge before us.

I also support the President's energy program because, as Secretary of Transportation, I am naturally concerned about the future mobility of the American people and the sufficiency of fuels for transportation purposes. The windfall profits tax will provide the revenues needed to boost bus production in this country by 3000 units a year, to build 200 more rail cars a year and to increase the capacity of transit systems across our country by 50 percent. And by reducing the number of cars driven from suburb to city every day, where nearly a third of all our gasoline is consumed, we will stretch the fuel supplies for use in our cars and other means of essential transportation.

The American automakers are planning to invest more than a hundred billion dollars over the next 10 years in safer, cleaner, more fuel efficient cars and trucks. The automobile is getting smaller, but I see no indication that it will get less popular. Some industry leaders, in fact, forecast a tripling of consumer auto investment in the next decade. Our job is to support that forecast by assuring America's ability to provide the energy required to meet not only our automotive but all our transportation needs.

The energy dilemma has confronted us with a nagging national problem, but the flip side of that problem is an opportunity waiting to be seized. Critics say America has not won any of its wars in the last 30 years. We have a golden opportunity to win this one -- the energy war of the eighties. It's time for all Americans to take up the cause.

The issue, as we have said, is freedom; the goal, energy independence. As Lloyd McBride, President of the United Steelworkers of America said after President Carter's energy speech last July: "The time is long past for America to embark on a course marked by an energy policy that makes use of our own resources and not those largely outside of our control."

That, is our cause, as your president and our President have defined it -- and I am here today to say that we join you in working to achieve that common objective.

Thank you.

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