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Energy Dependence

U.S. DEPENDENCE ON MID-EAST OIL TO RISE AGAIN

"The dramatic financial restructuring of the oil industry through two years of mergers and hostile takeovers may be setting the stage for an oil shock in the early part of the next decade, some analysts warn.

"'Everything that's going on just points to . . . a reversal of the oil glut in the 1990's,' said Bruce Lazier, an oil-industry analyst for the Wall Street firm of Prescott Ball & Turben. 'The companies are acting rationally individually, but they're setting us up for another price trap by the Persian Gulf countries in the 1990s.' . . .

"Proponents of restructuring say it just doesn't make any sense to spend much more than the minimum for oil exploration and development these days, especially in the United States. More holes have been poked in this country in the search for oil than anywhere else in the world, and there may not be much left here to find.

"There's still plenty of oil overseas. But most of it is in the Middle East. 'We'll still have plenty of oil,' Lazier said. 'The problem is that all the incremental oil will be out of the Persian Gulf, and that puts us back where we were in 1973.'"

—The Washington Post, May 5

Legislative Update

As Congress headed home for its Fourth of July recess, the House-Senate conference on the budget, which began meeting June 11, had failed to resolve most issues, including Amtrak. In early June, Senate Budget Chairman Pete V. Domenici (R-NM) said publicly that he didn't understand why Amtrak couldn't sustain even deeper cuts than those the Senate had approved.

On June 20, House Budget Chairman William H. Gray III (D-PA) made an overall counter-proposal, including an 11% cut in Amtrak funding in FY '86, but with 2% funding *increases* in each of the following two years. Gray proposed a 7% cut for mass transit (technically, a 10% cut in general revenue funding and a freeze in gasoline-tax funds). (The resolution passed by the House on May 23 froze all transit funds, and cut Amtrak 10%, modified, as in Gray's June proposal, by two subsequent 2% funding increases.)

On June 25, Domenici broke up the budget conference, saying he could not make a proposal that didn't touch Social Security COLA's. Finally, on June 27, a bipartisan group of Senate conferees, including two who have been Amtrak supporters (Ernest F. Hollings, D-SC and Lawton Chiles, D-FL) made an overall pro-

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U.S. Becoming Vulnerable to Middle East Oil Exporters (again)

As a nation, we seem incapable of responding to energy signals other than the gasoline prices of the moment—and too many of our leaders, especially those controlling federal transport policy, seem oblivious to the fact that improving public ground transportation is an important part of any comprehensive response to the energy situation we face.

The U.S., with roughly 6% of the world's population, consumes about 25% of the world's energy. In 1983, **U.S. gasoline consumption alone (primarily by the automobile) represented 14% of world oil consumption** and 4.3% of the entire world's consumption of all forms of energy!

The Reagan administration is trying to keep the U.S. on a path likely to force increasing dependence on Middle Eastern oil starting within about 5 years. Subsequently, we could once again be held hostage to an interruption in the flow of that oil or a big price increase imposed by the oil exporting nations.

We assume President Reagan would place a high priority on preventing the U.S. from becoming so vulnerable—if his staff acquainted him with the facts outlined here.

In response to the Iranian situation and newly available Alaskan oil, the proportion of petroleum we imported fell from 55% in 1979 to about 30% in 1983. Mexico, Canada, Venezuela, and the United Kingdom become our primary sources of imported oil, replacing Saudi Arabia. Consumers responded to increased oil prices by using energy more efficiently, such as by relying more

"When we get into another energy crisis, which we will—mark my word—we'll wish we had our Amtrak."

—Sen. David R. Durenberger (R-MN), addressing Northern States Power's management forum in Minneapolis, April 8

on public ground transportation.

Unfortunately, however, the federal government failed to encourage the continuation of such responsible behavior after the return of cheap gasoline. The pro-automobile, pro-long-distance truck, anti-Amtrak, and anti-mass transit biases in federal policies were intensified. Suggestions to tax imported oil were ignored, although such a tax would have reduced the federal deficit *and* encouraged consumer habits consistent with national energy independence, enabling transit managements to handle a growing share of the market *without* increased public funding.

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Not only did our nation's leaders refuse to permit the marketplace to reflect long-term petroleum price and supply problems, they got things backwards, ignoring the energy issue and encouraging legislators to believe that votes for improved public transport would *increase* the deficit. Public transport was hit with a double whammy: gasoline prices fell even as cuts in public funding of mass transit and Amtrak forced fares up. People were given a strong incentive to get back into their cars; developers were encouraged to ignore transit accessibility in their planning.

Small surprise, then, that the nation's energy consciousness began disappearing. Last year, petroleum imports were back up to 40%. That trend is likely to continue, both because of our consumption habits and because we are rapidly exhausting our domestic reserves—primarily in Alaska—that are most easily (read cheaply) extracted. (Indeed, our *total* reserves—27.3 billion barrels—look unimpressive when compared with our *annual* consumption of 6 billion barrels, 3.6 of which are domestic.)

Non-Middle East suppliers don't have enough oil to continue meeting even *present* U.S. demand for imported oil much longer. As the tables below and *The Washington Post* quotation make clear, the Middle East is where most of the remaining reserves are located. The U.S. is working hard to produce less than twice the amount Saudi Arabia produces effortlessly.

Assuming President Reagan remains passive and allows the world oil market to set U.S. gasoline prices, we will soon be relying more on Middle Eastern oil. Nothing dramatic is likely at first: Middle East imports will inch up gradually. This won't be in the headlines until we have effectively put our destiny back in the hands of nations we so recently worked to "escape" from!

Nation(s) or Region	Proportion of World's Known Oil Resources
Middle East	57.0%
USSR	9.0%
Mexico	7.0%
United States	3.9%
China	3.0%
North Sea (U.K., Norway, &c.)	3.0%

Production Area	Production Costs
Middle East	$1 to $5/barrel
Most other areas	$8 to $12/barrel
United States	$20/barrel

Nation	Oil Wells Drilled In 1984	Barrels of Oil Produced in 1984
Saudi Arabia	30	1.8 bil.
United States	43,000	3.2 bil.

President Reagan evidenced some awareness of the oil problem when he said, in a recent interview with James J. Kilpatrick, "Almost 50% of our trade imbalance is made up of the necessity to buy oil, to import oil." This was by way of defending the reten-

RAILROADS GET TOP PRIORITY IN GERMAN TRANSPORTATION BUDGET

"The Bonn Ministry of Transportation, in preliminary infrastructure planning for the next decade, has earmarked more funds for maintaining and modernizing the state-owned railroad, the Bundesbahn, than for the country's highway and autobahn network. According to recent press accounts, DM 34 billion is envisaged for investment in the railroad during the period 1986-1995, with DM 28.2 billion for the highways. Intermodal rail transport is to be emphasized with a view toward easing highway congestion, protecting the environment and saving energy. The Ministry's master plan will be presented in final form for Cabinet approval in the fall.

—*The Week in Germany,* **newsletter of the German Information Center, April 19, 1985**

THE ECONOMIST'S "CURE FOR AMERICA'S DEFICIT"

"Ronald Reagan is being bombarded by bureaucratic ideas to cut America's budget deficit, and they are not his forte. Instead of proposing a hundred contentious cuts in spending and dozens of 'revenue enhancements,' he could take one bold step that would immediately reduce his budget deficit and America's trade deficit. He could ask congress to impose a federal tax of 30 cents on a gallon of petrol (gasoline) and one of 20 cents on cheaper diesel, and promise two more such increases in the next two years. This would not be popular. Cutting deficits never is. But it would work better and quicker than a line-by-line fight with congress. . . . And might be less unpopular in the end.

"The sums involved are large . . . more than any of the deficit-cutting schemes now being proposed in Washington. It could be presented as a rational, even visionary, energy policy for the rest of the century. It would give American motorists and motor companies time to switch again to smaller cars, while putting yet more pressure on oil prices to fall.

"Even after three such tax increases, motoring in the U.S. in 1988 would still be cheap. Petrol there now costs less than at any time since early 1980, although America's consumer-price index has risen by 30% in the meantime. It is far cheaper than in other industrial countries . . . [partly] because the tax on a gallon of petrol is much smaller in America.

TAX AS % OF FINAL PRICE
July-September, 1984

	Petrol	Diesel
United States	25.3%	14.2%
Japan	37.0%	na
W. Germany	49.2%	39.4%
Britain	55.4%	43.9%
France	58.2%	44.0%

"In the 1970s, the U.S. was slow . . . to learn it was nonsense to try to keep fuel cheap. . . . [but once] Mr. Reagan decontrolled the price of oil in January, 1981, [prices] worked their magic as quickly in America as anywhere else. Domestic oil production stopped falling, even as Americans started to save energy. . . .

"The potential for even bigger savings is still large—especially in oil, where America has made much less progress in reducing its dependence than other industrial nations. In Japan, oil now accounts for 61% of final consumption of energy, down from 67% in 1983. West Germany has reduced oil's share from 62% to 55%. The United States has gone from 52% to 51%. It needs to curb its gas-guzzling ways because, unlike other false scares about 'finite resources,' oil will become worryingly scarce. . . .

"A tax on petrol and diesel would . . . also reduce that other troublesome deficit, on foreign trade. . . . [U.S. oil imports] are still costing about $44 billion a year—almost half [the nation's 1984 trade deficit].

"The surest way to reduce oil consumption is to raise taxes at the pump. . . . For the United States, weakening crude prices offer the chance of raising more tax revenue with relatively little pain. Once the spot market knew that Americans would be economising on petrol, it would push crude prices down a bit further. Once Wall Street knew that Mr. Reagan had a workable scheme for cutting his budget deficit year by year, it would push down interest rates. The combined effect would be to keep the rise in consumer prices tiny. . . . And lower interest rates would help to slow the fastest-growing part of public spending, the federal government's interest costs on its bonds and treasury bills. That would be the prize for being bold now. May Mr. Reagan seize it."

—*The Economist* **(U.K.), Dec. 15-21, 1984**

(Note: The magazine carried the quoted headline on its cover, set on a photograph of a 14-lane freeway during rush hour.)

tion of deductions for "intangible drilling costs" in Reagan's tax plan so that wildcatters would still have an incentive to "go out and gamble their money so they can find some oil."

But we need much more—leadership that prepares the nation to get back on the "energy-efficiency track" it briefly occupied a few years ago; a leader who is willing to help the marketplace send appropriate signals to individual consumers *and* to state and local governments.

For example, current U.S. tax law limits deductible fringe benefits in the form of employer-paid transit fares to $15/month but allows *full* deductibility of employer-paid parking. This anti-transit policy is clearly not in the public interest. Even the Reagan DOT acknowledged as much in a July 2, 1981 letter to NARP which agreed that unequal treatment of employer-paid parking and transit-fare tax deductibility constituted "an indirect federal subsidy to automobile commuting. . . . The appropriate remedy is for Congress to allow the Internal Revenue Service to issue consistent regulations on tax treatment of all fringe benefits." President Reagan's tax plan, however, is silent on this point.

Some observers see an ironic contrast between the administration's justifying massive cuts in federal transit funding by proclaiming transit a state and local responsibility, and the President's proposal to end the deductability of state and local taxes. The latter provision is seen as likely to foster a new round of "tax revolts" in those jurisdictions doing the best job of providing mass transportation, jeopardizing continuation of their good work.

As Barber Conable, former ranking Republican on the House Ways and Means Committee noted, the President has long argued that problems are better solved at the state and local level than in Washington, but his tax plan "strikes a terrible blow at federalism. . . . The question is, do you really believe that state and local governments should do any problem-solving, or don't you? It takes money." [*The Wall St. Journal,* June 6]

Then there's Amtrak! The modern passenger train is the only form of transportation that combines energy efficiency *and* the ability to attract passengers for whom driving or flying is economically feasible. Amtrak retained an impressive share of the business gained during the 1979 energy crisis, and now is well into its 2nd consecutive year of increased ridership and 3rd consecutive year of increased travel (as measured in passenger-miles). May passenger-miles were 10.5% over last May's and April's were up 9.9%.

In writing to a NARP member, one Congressman claimed Amtrak is not energy efficient. His comment is probably based on a study that predates the elimination of rolling-stock with antiquated heating and air-conditioning and the elimination (in 1979 and 1981) of the handful of Amtrak routes where ridership was poor. (Unfortunately, some heavily used trains were also eliminated then, but that's another story.)

NARP believes that a properly developed Amtrak network might average 125 passenger-miles per gallon, a composite of corridor services at 151 and long-distance trains at 96. The same bottom line was reached by Prof. Richard A. Rice of Pittsburgh's Carnegie-Mellon University. But a complete analysis of Amtrak's capacity to aid energy conservation needs to consider such normally-neglected matters as these:

- The rail market includes a disproportionate number of people traveling alone or with only one companion. This means that, if Amtrak disappeared, the autos driven by its former passengers would average fewer passenger-miles/gallon than would all autos in intercity use. Ignoring this would lead one to underestimate Amtrak's contribution to energy efficiency.

- The positive impact of Amtrak on urban mass transit systems both in sharing costs and in contributing revenues of connecting passengers.

- Existing and potential opportunities for Amtrak and intercity bus to complement rather than compete with each other. Many people will ride an intercity bus only if it is coordinated with connecting train or air service. Public response has been outstanding in California, the one state with a major program of dedicated bus connections for Amtrak trains. The state announced Mar. 21 that the Long Beach-Bakersfield bus connection for the "San Joaquins" "has more than paid for itself during its first six months [Sep.-Feb.]." But the typical energy study assumes only that Amtrak and intercity buses compete with each other and ignores the fact that, if Amtrak dies, most of its passengers will not switch to the bus and most who do won't stay with the bus over the long term.

Many Washingtonians are paid handsomely to prove that 2 + 2 does not equal 4, and they sometimes convince legislators. But they can't change these basic facts:

1. There's less friction between the steel wheel and the steel rail than between rubber tires and cement;

2. It requires less energy to travel on the ground than in the air—one reason the French have cited for developing the high-speed TGV trains;

3. The electric train is the only form of transport capable of using any energy source. Diesel-operated rail routes can be electrified, and the 404 electrified route-miles Amtrak already operates (New Haven-Washington; Philadelphia-Harrisburg) rely predominantly on non-oil energy;

4. When the next energy crisis hits, metro areas with no rail transit, and thus a higher auto dependence, will suffer the most;

Secy. Dole, Sen. Weicker, Rail Transit, and Energy

When Secretary of Transportation Elizabeth Dole appeared before the Senate Appropriations Subcommittee on Transportation Feb. 21, Sen. Lowell Weicker (R-CT) tried to get her to acknowledge a relationship between rail transit and energy conservation. Instead, she said that "the building of mass transit systems (ed. read "rail") takes an enormous amount of energy" and that "we would save more (energy) by going to car pooling, van pooling, high-occupancy vehicle systems."

Sen. Weicker noted that the rail systems "are already built." Before quoting his eloquent reply in full, here's NARP's brief rebuttal to Secy. Dole's criticism of new rail systems. Their construction is not energy-intensive if they make good use of existing rights-of-way—a strong point of two projects (St. Louis light-rail and San Diego's East line) which would get no federal support if Congress approves Urban Mass Transportation Administrator Ralph L. Stanley's June 3 request to reprogram transit funds.

Energy-intensive transit construction shouldn't be ruled out either. Comparable highway construction certainly hasn't stopped, and many of today's most effective rail transit systems—New York, Chicago, Philadelphia, Boston—involved energy-intensive construction by previous generations, whose work yields energy conservation benefits today. We think most Americans agree we should not adopt a selfish "now-generation" mentality that rules out sound projects whose benefits will accrue primarily to our grandchildren.

Senator Weicker put it this way: "Madam Secretary, what you are doing in the cutbacks you have asked for both in mass transit and intercity rail service is to push people back into their automobiles. Now it is just as simple as that. . . . If you wanted to do something that will assist us in the matter of national policy while reducing the deficit . . . add 10 cents to the gasoline tax in 1986, 10 cents in 1987, 10 cents in 1988, and do it while the prices are tumbling as they are right now. That will tell (the public) prospectively that that is going to be the expensive mode of travel, and we will conserve.

"We will insist on fuel-efficient cars. We will . . . take that money you are going to get, a billion dollars per penny, apply it to transportation, apply it to reducing the national debt, and you will have achieved both a matter of national policy, and . . . of fiscal responsibility. But if we did that, then again that will put the pressure for people to get on mass transit systems and get out of their automobile. That is the most expensive form of travel in every sense of the word. It is devastating when it comes to our energy policy, to our conservation, and to the actual movement of our people." ■

already-strong demand for Amtrak services will go through the roof; and it will be hard to find a politician proud of having voted against reasonable funding for Amtrak! ■

(For the concept of this article, thanks go to NARP member Jack Brannan of Syosset, NY; for much of the energy-related data, our thanks to Michael Lynch, a research associate with the Energy Laboratory at the Massachusetts Institute of Technology. Send $2 to the NARP office if you'd like a copy of NARP's 22-page explanation of the positive contribution intercity passenger trains make to the nation's energy efficiency.)

Two Books For The Road

Two new guidebooks that should be of interest to NARP members are *The Carefree Getaway Guide for New Yorkers* by Theodore W. Scull and *USA by Bus and Train* by Gary Hawkins. Both deal exclusively with car free travel, a rarity in the travel press.

NARP Director Scull, who—along with Exec. Dir. Ross Capon—was interviewed on NBC-TV's *Today* May 21, has created a superb guide to the New York environs that is most certainly *not* just for New Yorkers. Anyone without a car in the Big Apple, and even those with one, will find Scull's book a rich source of ideas for day and weekend trips within the city and well beyond. Scull has built upon the carfree travel perspective that he brought to the pages of NARP's former travel magazine, *Getting There*, to produce a series of outings that are a seamless blend of interesting train, bus, and ferry travel and worthwhile activities, both enroute and at destinations. Mr. Scull's detailed knowledge of the region's intricate transportation network, from Philadelphia to Block Island, clearly shows as he provides 26 excursions where getting there *really is* half the fun. *The Carefree Guide* is available at $8.95 in bookstores ($10.95 from The Harvard Common Press, 535 Albany St., Boston, MA 02118).

Hawkins' *USA by Bus and Train* is made interesting by its emphasis on long-distance bus travel, an activity which its author obviously knows and enjoys. Mr. Hawkins draws from his year of research spent aboard America's buses and trains directly through "Face to Face" sections—personal vignettes of his trips which make interesting reading in themselves. 27 "fully road tested" bus and train itineraries are presented with a stronger emphasis on the bus, but at a level of detail not found elsewhere. *USA by Bus and Train*, published by Pantheon Books, is available in bookstores for $9.95. ■

Montreal-St. Albans Bus May Replace Train

Amtrak's Board of Directors on June 26 approved a resolution authorizing management to seek public comment on the replacement of the St. Albans, VT-Montreal segment of the Washington-Montreal "Montrealer" with a dedicated bus connection, a change management feels must be made Oct. 27 unless Amtrak's payments to Canadian National are "reduced to a level comparable to costs in the United States." Amtrak believes CN is overcharging by about $1.2 million/year.

[In a separate move not subject to the "Criteria and Procedures for Making Route and Service Decisions," Amtrak is planning to shift the "Montrealer" to a daylight schedule Oct. 27, adding stops at Greenfield, MA, and Claremont Jct., NH.]

For international travelers, the failure of Amtrak and CN to reach a timely agreement would effectively convert a through service to a two-transfer service. Passengers would have the train-bus transfer at St. Albans; they would also be forced—like other international bus passengers—to leave the bus at the border for customs and immigration. Furthermore, these events would occur during the late evening and early morning hours, often under fierce winter weather conditions.

NARP is concerned about these problems, and is working with Transport 2000, our Canadian counterpart, to reduce "Montrealer's" Canadian operating costs. The surest way to maintain through rail service would be for VIA Rail Canada to accept "Montrealer" as a joint Amtrak/VIA service a la "Maple Leaf" and "International," with costs shared according to the level of service provided in each country. Then, if the expected "VIA Rail Canada Act" is passed by the Canadian Parliament late this year or early next year, the cost savings mandated by restructured CN costing formulas for VIA would apply automatically to "Montrealer."

Although only required to seek comments on the train discontinuance, Amtrak is also interested in comments on the schedule change. Comments should be postmarked by Aug. 25 and mailed to James H. English, Vice-President—Government Affairs, AMTRAK, P.O. Box 2709, Washington, DC 20013. Amtrak says, "A summary of the substance of the comments received will be presented to Amtrak's Board of Directors for use in making a final decision on whether to implement the proposal service change." ■

Legislative Update *(continued from page 1)*

posal that cut Amtrak 20% and transit 15%, holding both programs at these devastating levels for all 3 years.

One committee staffer emphasized to NARP that this was "not the final proposal by any means"; that it was done "hurriedly, on the back of an envelope, without assistance of the specialists," primarily to get the conference back on track with regard to the major issues—defense and social security. Indeed, neither *The New York Times*, nor *The Washington Post*, mentioned the public transport figures in their next-day editions..

Whatever the context, we cannot ignore the fact that a serious proposal with "kill-Amtrak" figures was on the table as Congress left town. It deserves a serious response. Some legislators say that Amtrak's response to a significant budget cut in FY '82 means Amtrak could absorb 15 or 20% in FY '86. But Amtrak's FY '82 funding request was cut far less than 20%, and the key opportunities that enabled Amtrak to deal with that smaller cut have been used up. Those cost-cutting targets included:

- "Political," mostly empty, trains—the last of which were discontinued in the fall of 1981.
- Old, expensive-to-operate rollingstock with antiquated heating and air-conditioning systems, the last of which went out of service in 1982.
- A *relatively* large capital budget, which has already been cut to the bone.
- Outdated labor contracts with *Amtrak* employees (including those performing virtually all functions within the Northeast Corridor plus, outside the Corridor, on-board service attendants and most station and maintenance personnel). Those contracts have been modernized, and the new principles were applied to the entire Auto-Train operations when it was inaugurated in the fall of 1983.
- State and local tax payments by Amtrak, which have been eliminated (except in Beech Grove, IN, where Amtrak's principle maintenance facility employs an unusually large segment of the labor force).

With such cost-cutting targets no longer available for action, it's unrealistic to expect Amtrak to sustain still more major cuts. Movement on the primary remaining opportunity for cost cutting—direct Amtrak employment of more railroad operating employees—has actually been slowed by the present debate, since, as Amtrak President Claytor told the Senate Appropriations subcommittee, "I don't think we can persuade people to come to work for Amtrak at a time when Amtrak is under the gun."

Amtrak's greatest efficiency improvements (FY '82-FY '85) took place in a period of overall stability in its funding. Long range institutional change requires commitment from all sides, including that demonstrated by a stable budget.

Please let your legislators know that you support the House Budget Resolution's Amtrak and transit funding levels. Also urge them to oppose amendments that cut the funding level and support amendments that increase it in HR 2266, the Amtrak authorization bill expected on the House floor sometime in July. (It's possible, but less likely, that a companion Senate authorization bill will also move in July.) When the House Energy & Commerce Committee considered HR 2266 on May 15, an amendment by Rep. Dan Coats (R-IN) cutting Amtrak by $100 million (almost 15%) was defeated 15-27, and a similar amendment is possible whenever Amtrak legislation hits the House or Senate floors. ■