Punxsutawney policies
Punxsutawney, Pa. is the site of one of this month’s most watched ritual – *Groundhog Day*. In the movie of the same name, the protagonist is stranded overnight and awakens to discover that some unexplained, supernatural powers have sent him to re-live the same day over and over again — until he changes for the better. Facing the dual challenges of national security and recession, government policy shapers must sometimes crave similar powers.

Only six years ago, President Clinton declared the end of the era of Big Government. However, since Sept. 11, America has responded militarily, increased intelligence initiatives, and created an Office of Homeland Security. The transportation industry has expanded to include 28,000 new federal workers for airport security. Government’s primary role is national defense, and these steps are similar to ones taken in 1941 and the mid-1960s. But, increasingly we also find ourselves looking to government for solutions to a range of problems as varied as financially distressed industries, displaced workers and a bio-terror threatened public health system.

While the investigation of Sept. 11 intelligence shortcomings has been postponed until later this year, an interesting similarity exists between government and industry. As they downsized, both had difficulty absorbing and processing vital information. Jobs — but not workload — disappeared. Prior to Sept. 11, intelligence agencies lacked personnel who could speak the language of our known enemies, the U.S. Immigration and Naturalization Service couldn’t share data with intelligence agencies on known terrorist suspects, and lack of information and coordination delayed investigation and response to anthrax incidents. Like industry, government must resist the urge to throw money and people at known problems, and work to improve actual business processes.

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Quoting the movie, “A fragile international financial network, accompanied by increasing demand for trade protection and mounting hostility to immigrants create a burden that cannot be supported by political means when confronted by global recession and violent conflict. There is some fear that the current economic and political chaos in Argentina may be warning signs of such a change."

Our government faces tough decisions about trade. The recent meeting of the World Trade Organization (WTO) in Doha, Qatar, resurrected negotiations that were stillborn in Seattle two years ago. Robert Zoellick, senior trade representative had to make some hard choices. Anti-dumping provisions may be the most difficult for the WTO to reach. Developing nations, along with exporters like Japan, want to reduce the extent of these laws used by the United States to protect domestic industries — most notably steel. At the same time, industrial icons like Bethlehem Steel and LTV are filing for bankruptcy.

President Bush lacks fast-track negotiating authority on trade. (It was such authority that enabled the North American Free Trade Agreement and the WTO to pass Congress.) Although the House granted this authority — by a single vote in December — it did so by assuring protection for domestic textiles and citrus. It is hard to imagine how such promises will co-exist with a free trade accord. For trade to continue to flourish, Bush must construct a policy consensus, which will satisfy numerous constituencies. The transportation industry has grown along with trade and this growth may be threatened.

Traditional issues of diplomacy still require the focus of our national leaders. China and Russia represent major powers with significant geopolitical influence. They will also exert major economic influence. During the economic downturn, China has been a lone standout of growth. Its numerous advantages include abundant, cheap labor and engineers, and good infrastructure. China’s WTO entry may drive economic prosperity for all nations — or enable it to absorb manufacturing previously done elsewhere. Either result will affect international transportation providers.

In our new world, Russia is no longer the “evil empire” and is now our strategic ally. Not only has it supported anti-terrorist initiatives, Russia has thwarted attempts by OPEC to raise oil prices by production cutbacks. The U.S. national energy policy has been sidetracked since Sept. 11 — a critical issue for transportation, further complicated by an uncertain future for Saudi Arabia, which controls a quarter of all known petroleum reserves. The CIA has identified the growing instability of the Saudi regime and oil reserve vulnerability to terrorist attacks as the most immediate Middleast threat to American interests.

In 1956, M. King Hubbert, a Shell Oil geologist correctly forecast that U.S. domestic oil production would peak in the early 1970s. One of his colleagues, Kenneth S. Deffeyes, has just written a book, *The View from Hubbert’s Peak*, predicting that world oil production will peak this decade and then decline. This view contradicts the accepted industry outlook.

In 1973, during the first energy crisis, Amory Lovins pointed out that the cheapest source of new energy was conservation. This was not a view embraced by the oil industry. Last year, Vice President Cheney’s energy task force did not appear to put much faith in conservation either. But most business executives recognize that a $1 expense reduction can reasonably be expected to become $1 profit, whereas a $1 revenue increase has no such guarantee. (Energy conservation should theoretically work the same way with oil reserves.)

Any national energy policy will have a major impact on transportation. The events of Sept. 11 have resulted in the realignment of policy priorities. Resolution of some may have been postponed, but ultimately they will require attention. (Reauthorization of TEA-21 may also fall into that category.) Public policy matters so much to our nation and industry that we need to get it right the first time.

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