Opinion

Oil Crisis: Why Trucking Should Take the Lead

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Truckers, through American Trucking Associations, have become more active lately in addressing the big issues of the industry. The sustainability proposal and the call for gasoline and diesel taxes in lieu of tolls to support rebuilding our nation's roads are just two of the most recent attempts to tackle the big issues facing the United States. However, our nation could be devastated if some of the near- and longer-term oil price and oil supply predictions prove true.

It is incumbent upon the trucking industry, the leading consumer of diesel in this country, to take the lead in proposing a plan for survival. Can we come together to create proposals with significant support from our industry?

Thoughtful observers realize a number of factors created our present oil crisis: aging large oil fields, producing countries with alternative agendas, restrictions on drilling in other known oil fields and undeveloped technology required to obtain oil from unconventional sources are just some of the factors limiting supply.

Worldwide economic growth, expansion of economic activity (including electricity, vehicles, etc.) in previously backward Third World countries, and oil price subsidies in developing countries are just several of the factors encouraging demand.

With the resulting tightness of oil supply and demand, speculators are able to take advantage of even the prospect of negative politics, weather, currency fluctuation or oil-industry-related mechanical news to bet on oil prices increasing. The culmination of all these factors is an oil price increase that has been substantial in the past year — and could accelerate rapidly at any time.

At present, the United States has little power to affect the world price of oil. In the past, a recession here would decrease the consumption of oil enough to cause a reduction in price. Now, however, consumption increases in other parts of the world overwhelm reduced consumption of oil here.

One illuminating piece of evidence on this point is China's eightfold increase of diesel imports so far this year. With this problematic oil landscape in a volatile world, some knowledgeable observers, such as Charles Maxwell of Weeden & Co., are predicting gasoline and diesel prices to range between $12 and $15 per gallon at the pump from 2010 to 2015.

If increases of this magnitude come to fruition, it is difficult to imagine how our trucking industry can continue or how our country can escape a most serious depression. But, it hasn't happened yet.

We truckers are a practical, hard-working group of folks accustomed to solving problems. If we were to survey our membership, we most probably would find nearly universal agreement on three points:

■ There should be an immediate encouragement of drilling in known oil-rich areas throughout the United States, from northern Alaska to the waters of Florida. Environmental-friendly technology has improved dramatically in the past generation, so oil can be recovered safely and without danger to our environment, even in many challenging locales.

■ The government must impose conservation measures. While the free market is the best mechanism for allocation of scarce economic resources, in times of crisis, we need to resort to temporary controls to force activities that benefit us now. As an example, we need to get really serious about reducing vehicle speeds.

■ And in a comparison coined by former N.Y.C. Mayor Ed Koch, a "Manhattan Project-style effort" is needed to promote and develop the most feasible alternative sources of energy.

A number of very smart people are working on various ideas throughout the country. Through the free market system, some of these ideas eventually will solve our energy problems. However, our survival depends upon developing the best of these ideas as quickly as possible. Only the federal government can bring the resources and the power together to identify and jump-start the most promising concepts.

The very act of mobilizing the nation in these three efforts will have a positive effect in the futures markets. People buy and sell not so much on the existing market but on the expectations of what the market will be. Plenty of oil apparently is available in the world market, but prices are rising. If we can just slightly reduce the demand and increase the supply, the prices at the margin will fall. Our short-term options are limited, but we have an obligation to try. To do less is to not fulfill our obligation to our industry and our nation.

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