

# Dan Rather Reports

**Episode Number:** 320

**Episode Title:** Why So High? America & The Price Of Oil

**Description:** From coast to coast, the squeeze is on. A country dependent on inexpensive oil makes the hard transition to the higher prices at the pumps.

**TEASE:**

DAN RATHER (VOICE OVER)

TONIGHT, WHY SO HIGH?

TOM KLOZA, FOUNDER OF THE OIL PRICE INFORMATION SERVICE

Prices may be swinging wildly between two dollars and fifty cents and perhaps five dollars a gallon so you better plan for the tough days as well as the days when it's not so much of a dent in your wallet.

RATHER (VOICE OVER)

A SPECIAL REPORT. UNDERSTANDING THE DRAMATIC INCREASE IN THE PRICE OF GASOLINE BEFORE IT GOES UP AT THE PUMP, IT'S BEING PUMPED UP HERE. AND FROM THE CAUSE TO THE CONSEQUENCES. AMERICAN INGENUITY KEEPS THE COUNTRY ROLLING.

DREW TEAGUE, VESPA SALESMAN

There are non four wheeled alternatives to getting around and getting around efficiently.

RATHER (VOICE OVER)

WE WILL BRING YOU THE NEWS NEXT ON DAN RATHER REPORTS.

RATHER (VOICE OVER)

AND WHERE ELSE WOULD YOU BEGIN A REPORT ON GASOLINE THAN IN LOS ANGELES, A CITY WITH MORE CARS THAN ELIGIBLE DRIVERS. TRAFFIC...ITS AS CONSTANT AS CALIFORNIA SUNSHINE. DAY OR NIGHT...WEEKENDS, HOLIDAYS... ALWAYS... THEY'RE ON THE ROAD. IT'S A METROPOLIS THAT GREW UP ALONGSIDE THE AUTOMOBILE, PAVING THE WAY FOR AMERICA'S URBAN SPRAWL. IN THIS PART OF THE COUNTRY, YOUR IDENTITY HAS LONG

BEEN DETERMINED BY WHAT YOU DRIVE. HOLLYWOOD HAS EVEN LOOKED AT ITS OWN CAR CULTURE IN FILMS LIKE "L.A. STORY" ...

"L.A. STORY"

- First stop is six blocks from here.
- Why don't we walk?
- Walk?
- A walk in L.A.?

RATHER (VOICE OVER)

BUT EVEN IN THIS CAR CRAZED CAPITOL ... FOUR DOLLAR A GALLON GASOLINE HAS MADE THIS A COMMON SCENE... CLAUDIA RODE IS PICKING UP HER NEW TOYOTA YARIS.

CLAUDIA RODE

I was just looking for something economical that looks good, you know good in gas, I think I found the perfect car. It looks great, and it's very compact.

RATHER (VOICE OVER)

SMALL IN SIZE BUT BIG ON MILEAGE...39 ON THE HIGHWAY. BUT IN L.A. ALWAYS ON THE CUTTING EDGE, THERE'S SMALL... AND THEN THERE'S SMALL, REALLY SMALL. THIS IS THE LATEST TREND ON CALIFORNIA ROADS. AND TALK ABOUT MILEAGE...THIS BABY SIPS WHERE OTHERS DRINK.

RUSSELL STROUD, VESPA RIDER

I'm so glad that I drive the Vespa every day.

RATHER (VOICE OVER)

THIS IS RUSSEL STROUD ...AND THIS IS HOW HE GETS AROUND TOWN. REALLY HIS VESPA SCOOTER...ALL 12 HORSEPOWER...IS THE LATEST TREND. AND IN A CITY KNOWN FOR "CREATIVE DRIVING" THE VESPA ADDS THIS TO THE MIX.

STROUD

I think people hate it when I go by and they're sitting still on the freeway. And I'm zipping through the cars. Sometimes they even kind of edge towards you to-- to keep you from goin' by. If I'm drivin' my car to school, it's gonna take me an hour, hour and fifteen, hour and a half. If I drive the Vespa, it's never taken me longer than 30 minutes. Even with bumper to bumper traffic. Because, you know, you can go between the cars on the freeway. And besides that, you can go for a week without fillin' it up. And then, when you fill it up, it's like eight dollars.

DREW TEAGUE, VESPA SALESMAN

I think people are starting to realize that there are non-four-wheeled alternatives to getting around, and getting around efficiently.

RATHER (VOICE OVER)

DREW TEAGUE IS A VESPA SALESMAN WHO HAS BEEN DEALING WITH A MAD RUSH OF COMMUTERS WHO ARE WILLING TO LEAVE THE SAFETY OF THEIR CARS TO AVOID THE PAIN AT THE PUMP ... WHILE BIG CARS ARE SITTING IN SHOWROOM... TEAGUE'S SALES OF THESE ITALIAN MADE SCOOTERS ARE UP MORE THAN ONE HUNDRED PERCENT... AND HE HAS A PROBLEM MOST CAR DEALERS WOULD LOVE.

TEAGUE

So we're selling over twice as many bikes-- to the point where it's almost hard to keep them in stock. We've actually had to get shipments about every week, truckloads of bikes in here to-- to fulfill the-- the needs of what everybody's looking for. I just had-- a couple that came in. They each had a Range Rover, getting, you know, what, sub 15 mpg per vehicle. And they said, "We have just had it", you know. So they're selling one they're getting a Vespa, and they're tripling or more their average fuel efficiency for their transportation.

RATHER (VOICE OVER)

THE MAIN SELLING POINT OF A VESPA IS NOT HOW MUCH TIME YOU CAN SAVE ON YOUR COMMUTE ... BUT HOW MUCH GAS. VESPAS CAN GET UP TO 70 MILES PER GALLON – ALMOST DOUBLE THE MILEAGE OF A HYBRID CAR -- AND THAT'S MADE THESE FIVE THOUSAND DOLLAR SCOOTERS AN EASY SELL... WHEREVER GASOLINE PRICES ARE HIGH.

RATHER (ON CAMERA)

AND HERE IN CONNECTICUT THE ROADS AREN'T AS CROWDED BUT DRIVERS HAVE THE DUBIOUS DISTINCTION OF PAYING THE HIGHEST GAS PRICES IN THE COUNTRY, WELL NORTH OF FOUR DOLLARS A GALLON AND CLIMBING. THIS IS A STORY THAT AFFECTS EVERYONE AND RIPPLES THROUGH EVERY SEGMENT OF OUR SOCIETY. SO THE QUESTION IS HOW HIGH WILL GAS PRICES GO AND WHAT'S CAUSED THE PRICE OF OIL, WHAT'S REALLY CAUSED IT, TO MORE THAN DOUBLE IN THE LAST YEAR. THROUGHOUT TONIGHT'S PROGRAM WE INTEND TO GIVE YOU A LOOK AT NOT ONLY THE CONSEQUENCES AS YOU JUST SAW FROM SOUTHERN CALIFORNIA BUT ALSO WHAT AND OR WHO IS TO BLAME. FOR CONTEXT AND PROSPECTIVE I SAT DOWN WITH TOM KLOZA, FOUNDER OF THE OIL PRICE INFORMATION SERVICE, HE'S ONE OF THE BEST REPORTERS AROUND ABOUT OIL AND GAS. HE'S BEEN FOLLOWING GASOLINE PRICE TRENDS FOR DECADES.

RATHER

As you know, I'm a Texan by birth and by choice.

TOM KLOZA, FOUNDER OF THE OIL PRICE INFORMATION SERVICE

Right.

RATHER

And said only half jokingly, that in Texas don't mess with my momma and don't mess with my pickup truck.

KLOZA

Right.

RATHER

Even though the pickup truck may get 15 miles to the gallon. Realistically, any chance of changing that mindset nationally?

KLOZA

I think the mindset starting to change. I mean now that we've had prices go to four dollars in some places and we've had this bipolar market which has these tremendous swings. I noticed last month that the small car and vehicle sales were presented 20 percent of total U.S. vehicle sales and that may not seem like a big threshold but that's a big, big number in the automotive business. So, you're hearing more about it, you're hearing more about it whatever mode of travel you have and it takes a while to bring that sediment change, we're seeing a little bit of a shift. It would be nice if it was pushed because there really is no downside to conservation or doing things practically but you can't expect an industry like the energy industry to say drive less or whatever. I mean we wouldn't expect that from anyone else that manufactures widgets or any other product.

RATHER

Do you or do you not subscribe the theory that four dollar a gallon gasoline on any consistent lasting basis is the tipping point? If it goes above that then the public will start going to scooters, bicycles, walking more?

KLOZA

We are using less and that's going show up in the subsequent data. Right now the investment community and the speculative community believes that the rest of the world still has this growing appetite for fuel. We'll get the data on that well down the road but there's no question that Americans have cut back. In California, people have cut back by about four or four and a half percent and that's a lot when you consider all of the new drivers coming into the motor pool each year. That's a significant sacrifice. It's not like the 70's where maybe people would cut back by much more because it was a tripling or quadrupling of price but people are making some sacrifices. Unfortunately a lot of folks because they have to not because they're making it a matter of choice or because of social responsibility.

RATHER (ON CAMERA)

HERE'S AN INTERESTING NUMBER. AMERICANS DROVE 11 BILLION FEWER MILES THIS MARCH THAN THEY DID IN MARCH 2007. IT'S THE SHARPEST DROP EVER REPORTED. SO HOW ARE THEY GETTING TO WORK? WE TAKE YOU TO THE SUBURBS OF WASHINGTON, DC, WHERE FORMER DIE HARD DRIVERS ARE CHANGING THEIR HABITS EARLY AND OFTEN.

RATHER (VOICE OVER)

5:58 A.M. FRIDAY MORNING AT THE DULLES TRANSIT CENTER IN LOUDOUN COUNTY, VIRGINIA, JUST OUTSIDE WASHINGTON DC. THE BUS LINE IS ALREADY FULL OF THE NEWLY CONVERTED FOR THE HOUR LONG BUS DRIVE INTO TOWN.

MALE BUS RIDER

"Gas is just too high, you need to come up with alternatives, and this is one of the alternatives to get us to work."

RATHER (VOICE OVER)

LOUDOUN COUNTY JUST ADDED TWO MORE BUSES, AND SAYS RIDERSHIP IS UP 29% FROM LAST YEAR. 6:30 A.M. AT THE WIEHLE PARK AND RIDE IN RESTON, VIRGINIA. KAREN BURROUGHS MEETS HER CARPOOL.

KAREN BURROUGHS, CARPOOLER

"Alright, everybody's ready?"

CARPOOLER

"We're all ready. It's Friday."

DAN RATHER (VOICE OVER)

THEIR TWENTY MILE TRIP MADE EASIER BY CARPOOLING.

KAREN BURROUGHS

"It's the only way to go. Carpooling, it's the only way to go."

CARPOOLER

"You save money. You save gas. You save wear and tear on your car. The frustration of driving."

CARPOOLER

"I save about \$3,240 a year by carpooling."

RATHER (VOICE OVER)

KAREN AND HER CREW MAKE IT IN TO WORK IN JUST TWENTY FIVE MINUTES, THANKS TO THE HOLY GRAIL OF COMMUTERS – THE SPECIAL HIGH OCCUPANCY VEHICLE – OR HOV LANE.

CARPOOLER

“Had I driven in on my own, it would have taken me about an hour and ten minutes.”

CARPOOLER

“We’re saving what you know just a weekly 800 miles you know driving less I mean that’s significant just in a week.

CARPOOLER

“And we don’t even have a hybrid!”

RATHER (VOICE OVER)

8 A.M. ON 95 NORTH IN VIRGINIA. SOLO DRIVERS ARE AT A STANDSTILL, WHILE CARS WITH THREE OR MORE PASSENGERS ZIP BY. GETTING IN THE FAST LANE IS SO IMPORTANT TO SOME DRIVERS; THEY’LL PICK UP PERFECT STRANGERS TO QUALIFY.

RATHER (VOICE OVER)

8:15 AT THE POTOMAC MILLS SHOPPING MALL IN WOODBRIDGE, VIRGINIA. THESE DRIVERS ARE LINING UP TO PICK UP HITCH-HIKERS, WHO CALL THEMSELVES “SLUGS.” THE DRIVERS CAN GET IN TO THE FAST LANE, THE SLUGS RIDE FOR FREE.

COMMUTERS

“The savings on gas, as well as the parking. I don’t see why not. I don’t really mind...you ride with almost the same people every day any way.

“Why do you slug versus drive in?”

“It’s easier, economically is really good and also very convenient.”

“Do you mind the term slug?”

“No.”

DAN RATHER (VOICE OVER)

THERE ARE SO MANY SLUGS THESE DAYS THAT THE SHOPPING MALL HAS LIMITED THEIR PARKING TO THE LEFT SIDE OF THIS BLUE LINE SO THEY DON’T TAKE OVER THE ENTIRE LOT.

COMMUTERS

“Most times people are really nice, there’s not a lot of talking, listen to WTOP and you know get in quick. It’s a lifesaver.”

“Don’t talk politics.”

“Don’t talk politics, and don’t talk religion. There you go.”

DAN RATHER (VOICE OVER)

THEY’RE OFF TO FIGHT TRAFFIC – AND BEAT GAS PRICES – AND AT THE END OF THE DAY, THEY’LL BE BUSING, CARPOOLING AND SLUGGING HOME ALL OVER AGAIN...

RATHER

At this moment, what is the single most important thing for people to know about what’s happening with the price of oil?

KLOZA

I think people need to know that this isn’t the market that they grew up with. It’s not their father or their grandfather’s market. That this is ultimately a resource which is going to get tight but not necessarily now and they need to make some sensible choices. They need to recognize that they have to look at their own personal lives and recognize that they are going to have to make some sacrifice for it and realize that prices may drop and they may drop below three dollars a gallon in the next eighteen months but they’re going to tend to be swinging wildly, sort of swinging between two dollars and fifty cents and perhaps five dollars a gallon, so when you’re looking at that you better plan for the tough days as well as the days when it’s not so much of a dent in your wallet.

RATHER

With oil prices going up, gasoline prices going up, what will be the affect on companies such as Ford and General Motors, which already have their troubles?

KLOZA

I think they’ve got a lot of trouble for the rest of the decade. They didn’t probably invest in enough of the smaller car technologies and the Hybrids. I mean they’re making some strides now but they’re a little bit late to the game compared with some of the over seas manufacturers so it’s going to be rugged and that’s probably one of the reasons why politically you won’t have necessarily this debate real soon about putting in some tougher standards or tilting the behavior because tilting the behavior could really hurt Detroit.

RATHER (VOICE OVER)

THAT’S BECAUSE DETROIT INVESTED HEAVILY IN SUV’S IN THE 1990’S BUT THAT STRATEGY LOOKS LIKE A BAD BET NOW AS GAS PRICE KEEP JUMPING HIGHER. THE KELLEY BLUE BOOK SAYS THE VALUE OF SUV’S HAS DROPPED 3 TO 5 THOUSAND DOLLARS IN THE LAST 6 MONTHS - A SHARP DEPRECIATION THAT IS

AFFECTING ALL SUV OWNERS INCLUDING VITALY SAPIRO. SAPIRO IS TRYING TO SELL HIS 2002 TOYOTA LAND CRUISER. HE TOLD US HE'S READY TO ENTERTAIN ANY REASONABLE OFFER.

VITALY SAPIRO, SUV OWNER

People who always wanted to buy this car and couldn't, might be able to get a car at a bargain price.

RATHER (VOICE OVER)

HE PAID ALMOST 60 THOUSAND DOLLARS FOR HIS SUV SIX YEARS AGO AND HE'LL TAKE LESS THAN 25 THOUSAND FOR IT NOW. SAPIRO DRIVES 25 MILES FROM HIS HOME IN CLOSTER, NEW JERSEY TO NEW YORK CITY EVERYDAY. WHEN HE FIRST BOUGHT THE CAR 50 DOLLARS WOULD FILL THE TANK – NOT SO TODAY.

SAPIRO

Every time we bring it to the gas station, it's you know 75 to 80 dollars.

RATHER

AND THAT MEANS THERE ARE MORE SUV'S THAN EVER SITTING IN CAR LOTS. ACCORDING TO THE NATIONAL AUTOMOBILE DEALERS ASSOCIATION SALES OF SUVS SINCE JANUARY ARE DOWN MORE THAN 28% COMPARED TO THE SAME TIME LAST YEAR. BUT SMALL CAR SALES ARE UP 7% DURING THE SAME PERIOD.

SAPIRO

People are looking for cars that are either hybrids or definitely SUVs. Used to be hot a couple years ago, no longer have the cache.

RATHER

CAR DEALERS ACROSS THE COUNTRY ARE RESORTING TO UNCOMMON TACTICS TO ATTRACT RELUCTANT BUYERS – OFFERING GAS CARDS, DISCOUNT GAS OR AS A DEALER IN MISSOURI IS DOING – GIVING AWAY HANDGUN WITH EVERY PURCHASE. AND MANUFACTURES ARE APPEALING TO SHOPPERS “SENSE OF GREEN”....

TOYOTA COMMERCIAL

“At Toyota we're not only working toward cars with zero emissions, we're also striving for zero waste in everything else we do.”

RATHER (VOICE OVER)

SAPIRO IS LUCKY IN ONE WAY – HE OWNS HIS LAND CRUISER. THOSE WHO STILL HAVE LOANS ON THEIR VEHICLES ARE FINDING THEY MIGHT OWE MORE

THAN THE SUV IS WORTH. EVEN WITH THAT ADVANTAGE SAPIRO THINKS IT COULD TAKE MONTHS TO SELL HIS LAND CRUISER.

SAPIRO

At some point I am going to have to make a decision whether if I am going to stick with the car until it dies, which will probably mean never, or sell it probably at a less money that I was hoping to get for it.

RATHER (ON CAMERA)

AND FROM THE GAS GUZZLERS TO THE GAS OBSESSED, YOU'RE ABOUT THE RIDE ALONG ON A COMMUTE HERE IN CONNECTICUT WITH A DRIVER WHO IS CONSUMED WITH CONSUMPTION. HE GETS SOMETIMES IN HIS CAR OVER A HUNDRED MILES A GALLON.

RATHER (VOICE OVER)

IT'S 9:30 IN THE MORNING IN ESSEX, CONNECTICUT, AND JOHN FLORY IS GIVING US A CLASS IN THE ART OF THE COMMUTE.

JOHN FLORY, HYPERMILER

This is a little bit of a downhill; and I picked up a few miles per hour.

RATHER (VOICE OVER)

HE'S NOT TRYING TO SET THE RECORD FOR GETTING TO WORK QUICKLY ... HE'S TRYING TO SET THE RECORD FOR GETTING THERE ON THE CHEAP. FLORY HAS A 68 MILE ROUND TRIP COMMUTE. MOST AMERICANS WITH A DAILY DRIVE LIKE THIS, WOULD BURN THROUGH A TANK OF GAS IN A WEEK. FLORY... COASTS ON A TANK FOR A MONTH.

FLORY

A really good tank of gas would be over 1,000 miles on a tank. So that's about 10-- 10.8 gallons, give or take.

RATHER (VOICE OVER)

DO THE MATH ... THAT'S ABOUT ONE HUNDRED MILES PER GALLON. FLORY CALLS HIMSELF A HYPERMILER..MEANING HE HAS ADJUSTED HIS DRIVING SO THAT HE CAN CONSERVE EVERY DROP OF GAS POSSIBLE. FLORY OWNS A HONDA INSIGHT HYBRID. BUT THERE'S MORE TO HYPERMILING THAN THAT.

FLORY

You don't need to own a hybrid to be a hyper miler. It applies to all different kinds of cars, trucks, you name it. The methods are slightly different for different kinds of cars and you kind of have to figure out what works for you on your commute and your vehicle.

RATHER (VOICE OVER)

HERE ACCORDING TO FLORY ARE THE BASICS OF HYPERMILING ...

FLORY

The first things they generally recommend is just slow down. Another thing they recommend is put more air pressure in your tires up to the point-- the recommended maximum sidewall pressure that's listed on the side of your tire. And what that does is you waste less energy in flexing the tire and you get better coasting. The car rolls better.

RATHER (VOICE OVER)

FLORY IS ALWAYS CONSCIOUS – HYPERCONSCIOUS – OF EVERYTHING GOING ON BOTH INSIDE AND OUTSIDE HIS CAR ...FROM AIR CONDITIONING ...

FLORY

That kills your mileage

RATHER (VOICE OVER)

TO TRAFFIC LIGHTS ...

FLORY

I know that this light ahead in the evenings is a very short-- light, but now in the middle of the day it's gonna be a little longer. So I allowed for that.

RATHER (VOICE OVER)

FLORY EVEN TRIES TO KEEP HIS WINDOWS ROLLED UP SO THE AIR RUSHING IN DOESN'T CAUSE DRAG. AND HE KEEPS HIS FOOT OFF THE BREAK.

FLORY

And I'm trying to maintain speed through this corner 'cause I don't wanna lose momentum. You don't wanna be unsafe, but as much as possible you wanna conserve your momentum in the turns so you try to drive the turns as fast as is reasonable.

RATHER (VOICE OVER)

BUT FAST CERTAINLY ISN'T THE WAY FLORY DRIVES DURING MOST OF HIS COMMUTE ... YOU CAN OFTEN FIND HIM IN THE RIGHT LANE ... DRIVING 45 IN A 65 ...

FLORY

You have to adjust your whole mentality to “I want you to pass me.” And that’s hard at first but “please go by.”

RATHER (VOICE OVER)

ON THIS DAY, FLORY CLOCKED HIS MORNING COMMUTE AT AN IMPRESSIVE 103 MILES PER GALLON AVERAGE... CLOSE TO HIS RECORD. BUT FOR THIS GAS GURU, IT’S STILL NOT ENOUGH ...

FLORY

Each day I learn a little bit more and I'm able to do a little bit more. So I've been learning for two years with this car and I'm still improving.

RATHER (VOICE OVER)

WHILE SOME DRIVERS TRY TO GET BETTER MILEAGE OUT OF THEIR CARS. MORE AND MORE DENVER COMMUTERS ARE DECIDING TO LEAVE THEIR CARS AT HOME. A NEW REPORT SHOWS RIDERS OF PUBLIC TRANSPORTATION IN THE U.S. JUMPED UP 3% FROM LAST YEAR. THE BIGGEST INCREASE WAS IN LIGHT RAIL RIDERS – UP 10%. DENVER RESIDENT CHAD BURGHARDT IS ONE OF THEM...

CHAD BURGHARDT, DENVER LIGHT RAIL RIDER

There’s no point in me driving downtown just to park my car for eight hours so it just makes sense for me to catch the light rail.

RATHER

IN A CITY BETTER KNOWN FOR ITS LOVE OF THE PICK-UP THE COST OF GAS IS CHANGING THE DRIVING CULTURE. ALMOST EVERY AMERICAN CITY HAS WATCHED THE NUMBER OF PEOPLE USING MASS TRANSIT SHOOT UP - DENVER HAS HAD THE HIGHEST WEEKDAY USE RECORDED SINCE THE SYSTEM OPENED IN 1994.

NICOLETTE DIXON, DENVER LIGHT RAIL RIDER

It does make me feel good that I’m not driving my car and I get some reading done on the light rail, I also use it to get to school.

RATHER

DENVER IS ONE OF THE MOST CONGESTED CITIES IN THE COUNTRY – THE LIGHT RAIL RIDERS WE SPOKE TO SAID THEIR COMMUTE TAKES ABOUT THE SAME AMOUNT OF TIME IT DOES TO DRIVE BUT WITH FAR FEWER HEADACHES

MICHELLE BAUMAN, DENVER LIGHT RAIL RIDER

You just don't have to deal with traffic and other drivers.

TRISH LOGAN, LIGHT RAIL RIDER

People driving downtown have a tendency to drive a little crazy.

RATHER

AND AS TRISH LOGAN KNOWS - THE LIGHT RAIL IS A RELIABLE ALTERNATIVE IN A CITY THAT GOT 35 INCHES OF SNOW LAST YEAR.

LOGAN

And during the winter months it's hard to get downtown with the snow and the light rail always makes it.

RATHER (ON CAMERA)

WHILE MORE COMMUTERS ARE NOW USING MASS TRANSIT TO GO FROM THEIR SUBURBAN HOMES TO THEIR JOBS IN THE CITIES. COMING UP TWO CITIES THAT ARE TRYING TO MAKE WHERE WE LIVE AND WHERE WE WORK ONE AND THE SAME.

RATHER (VOICE OVER)

ATLANTA, GEORGIA HAS LONG HAD A REPUTATION OF URBAN SPRAWL. ITS 5.1 MILLION RESIDENTS ARE SPREAD OUT OVER 8 THOUSAND SQUARE MILES...AN AREA LARGER THAN THE STATE OF MASSACHUSETTS. THE SUBURBS ARE LINED WITH MANSIONS AND NEW DEVELOPMENTS. THE DAILY COMMUTE FOR MOST CAN BE AN HOUR OR MORE IN EACH DIRECTION. STILL, A DECADE AGO YOU WOULD HAVE BEEN HARD PRESSED TO CONVINCE MOST ATLANTANS TO GIVE UP SUBURBIA FOR THE CITY. BUT THAT DIDN'T STOP ONE DEVELOPER.

BRIAN LEARY, VICE PRESIDENT OF DESIGN AND DEVELOPMENT

The original concept of Atlantic Station really was to build a sustainable neighborhood in a city of neighborhoods that's what Atlanta is. And it started with one idea, let's clean up a steel mill..

RATHER (VOICE OVER)

BRIAN LEARY IS VICE PRESIDENT OF DESIGN AND DEVELOPMENT FOR ATLANTIC STATION IN THE HEART OF ATLANTA. A DECADE AGO HE DREAMED OF CLEANING UP AN OLD STEEL MILL SITE, AND SELLING A WHOLE NEW LIFESTYLE TO ATLANTANS.

LEARY

You know Atlanta is known as the poster child for things like sprawl and air quality problems and things like that, we thought Atlantic station could be a great answer to some of those challenges.

RATHER (VOICE OVER)

IN 1997 ONE OF THOSE CHALLENGES WAS NOT HIGH GASOLINE PRICES. THEY WERE ONLY ABOUT \$1.30 A GALLON THEN. BUT EVEN SO, LEARY WAS CONVINCED THAT ATLANTANS NEEDED TO CHANGE THE WAY THEY RELIED ON AUTOMOBILES. HE AND HIS TEAM HAD IN MIND A MIXED-USE COMPLEX OF TOWNHOMES AND APARTMENTS EMBEDDED WITH COMMERCIAL SPACE THAT INCLUDED RESTAURANTS, SHOPPING AND AMENITIES – ALL BUILT AROUND THE IDEA THAT IT WAS BETTER TO WALK THAN DRIVE.

LEARY

Atlanta is a city where we drive to where we walk. Think about that for a second, it's a beautiful day I wanna go for a walk, everyone piles in the car, drives someplace to do that we drive as a region 110 million miles a day, that's more than any region on the planet that's enough to go from the earth to the sun and start coming back, every day we do that – so Atlantans love to drive and in many ways Atlantans have to drive to get around

RATHER (VOICE OVER)

BUT THESE DAYS – ATLANTIC STATION IS LOOKING PRETTY PEACHY.

LEARY

With fuels prices now above four dollars a gallon, with traffic continuing to back up on the interstates, people's time relates to peoples money more so than ever, particularly when you're wasting it in traffic. So Atlantic Station in many ways is an antidote to that. The sign could say if you lived here you be home now.

RATHER (VOICE OVER)

FOR LEARY, THE PITCH NOW IS EASIER THAN IT'S EVER BEEN. IT'S ALL ABOUT COST SAVING, CAR-FREE CONVENIENCE.

LEARY

Hey, let's say you're feeling great, it's the end of the day you know you need a gallon of milk, you can go by the grocery store. Now if you're a woman you can also head upstairs and get a pair of pumps because we have a shoe store right on top. So you can get heels and meals all in one building

KATHY GRAYS, RESIDENT AND MOTHER

Literally I don't have to leave, I don't have to leave Atlantic Station.

RATHER (VOICE OVER)

STAY AT HOME MOM KATHY GRAYS IS ONE RESIDENT THAT NO LONGER HAS TO RELY ON HER CAR TO GET AROUND.

GRAYS

We'll have people come over and we'll say, "Okay you know let's go out to dinner." And we start to walk outside and they're confused – we're walking?? And we're like yeah because by the time you drove the parking deck and walked up you know it's faster just to walk there. So it is a little bit of a mindset but I think you would just automatically get used to it, just like we did.

RATHER (VOICE OVER)

THERE WAS A TIME WHEN THE GRAYS FAMILY, JUST LIKE THEIR FRIENDS RELIED ON THEIR CARS FOR EVERYTHING. THAT ALL CHANGED WHEN THEY MOVED HERE FROM THE ATLANTA SUBURB OF WOODSTOCK.

GRAYS:

I probably filled up at least once a week when I was in Woodstock, just going to friends houses and that sort of thing...and now it's probably half that...it's probably every two weeks or so.

CAROLINE FLEMING, NEW RESIDENT OF ATLANTA

One of the reasons we really like Atlantic Station is because we don't ever have to get in our car. I'm actually selling my car.

RATHER (VOICE OVER)

CAROLINE FLEMING AND HER HUSBAND JUST MOVED HERE FROM LUBBOCK TEXAS, WHERE THEY OWNED TWO CARS AND COMMUTED ABOUT AN HOUR EACH DAY. NOW SHE DOESN'T HAVE TO USE HER CAR AT ALL.

FLEMING

Well what I do is I wake up in the morning and I walk about 30 feet down to the corner and there's the Atlantic Station has a shuttle bus and the shuttle bus takes me to the nearest MARTA station and then since my work is just right up the hill, it's a block from that MARTA station I just walk to my office. I can walk outside my door and be at my desk at work in 12 minutes...so it's amazing, I love it.

RATHER (VOICE OVER)

AND SHE FEELS THAT SHE'S LIVING A GREENER LIFESTYLE.

FLEMING

I feel like I don't really have as much of an impact on the environment as I did when we were using all the gas ...both my husband and I each had to fill up you know one to two tanks of gas per week in our car and so now you know we're not going to be using any of that.

RATHER (VOICE OVER)

THAT IS EXACTLY WHAT ATLANTIC STATION WANTS ITS RESIDENTS AND EMPLOYEES TO THINK ABOUT: HEALTHY LIFESTYLE CHANGES AND ENERGY AWARENESS.

LEARY

So, it's really not trying to make people feel bad about using their car it's making them feel good about doing something different. We have a car share program out here as well...zip car you can check your car out by the hour. Atlanta needs an alternative and Atlantic Station has provided that.

RATHER (VOICE OVER)

ALL THIS CONVENIENCE DOES COME WITH SACRIFICES. YOU COULD OWN A NICE HOME IN THE SUBURBS FOR THE COST OF A TWO BEDROOM HERE. BUT THAT'S A TRADE OFF MANY ATLANTIC STATION RESIDENTS DON'T MIND.

RESIDENT

It's very cost efficient to live over here even though it's a little bit more expensive. But I mean it kind of evens out once you you know equal in all the commutin' and stuff that I don't have to do.

RATHER (VOICE OVER)

ATLANTIC STATION IS ABOUT 45% DEVELOPED AND WILL NOT BE COMPLETED FOR ANOTHER EIGHT TO TEN YEARS. GRAYS, WHO IS EXPECTING ANOTHER BABY AT THE END OF THE YEAR, WONDERS WHAT THINGS WILL BE LIKE FOR HER CHILDREN ANOTHER DECADE FROM NOW.

GRAYS

When I've done my two previous kids baby books, it has all the things that you record and one of the things is gas prices and with my first daughter, it was something rid- like a dollar eighty. When I see four dollars, four twenty, whatever, it hit another record high today. I just I think about what am I gonna have to write in this kid's baby book?

RATHER (VOICE OVER)

LEARY SAYS RESIDENTS HERE CAN BE REASSURED THAT EVEN IF GASOLINE PRICES DO CONTINUE TO RISE, ATLANTIC STATION WILL BE HERE FOR THEM.

LEARY

The roads only going to get so wide and our roads have been built for 25 years but we think Atlantic Station is going to be around a heck of a lot longer than that, and we wanna make sure we've planned for it.

RATHER (VOICE OVER)

ACROSS THE COUNTRY FROM ATLANTA IS A CITY THAT'S BEEN PLANNING FOR THE FUTURE FOR A LONG TIME. WHEN IT COMES TO TRANSPORTATION AND DEVELOPMENT PORTLAND OREGON IS WAY AHEAD OF THE GAME. THREE DECADES AGO PORTLAND DREW A LINE AROUND THE CITY AND PLEDGED TO KEEP ALL URBAN GROWTH WITHIN THAT BOUNDARY. TO MAKE IT WORK, THE CITY HAS COME UP WITH INNOVATIVE PUBLIC TRANSPORTATION OPTIONS, FROM SPEEDY CITY BUSES... TO THE POWERFUL LIGHT RAIL... TO SLEEK NEW AIR TRAMS... AND IN 2001 PORTLAND LAUNCHED THE FIRST MODERN STREETCAR SYSTEM IN THE COUNTRY. POWELL, WHOSE BOOKSTORE HAS BEEN A PORTLAND INSTITUTION FOR ALMOST 30 YEARS, SEES THE BENEFIT OF THE STREETCAR FIRSTHAND.

POWELL, OWNER OF POWELL'S BOOKS

I finally passed the \$80 mark the other day when I filled my gas tank. That makes you think. And-- for a lot of people, that's a big chunk of change. Being able to ride a streetcar that's a very viable alternative to the-- Old Betsy and the gas and the maintenance and parking and all of the-- associated costs of owning a car. Many of the people that now live in this neighborhood have downsized to one, in some case no cars.

RATHER (VOICE OVER)

BUT IT'S NOT JUST ABOUT GETTING RID OF CARS. IT'S ABOUT ECONOMIC GROWTH. WHERE ONCE POWELL'S BOOKS WAS SURROUNDED BY EMPTY BUILDINGS, THE STREETCAR HAS TRANSFORMED IT INTO ONE OF THE MOST VIBRANT NEIGHBORHOODS IN THE CITY.

POWELL

Personally, it's been exciting to see the neighborhood blossom. It was funky, but a little too funky before. Too many dark corners, too many empty buildings. Now, it's a very lively nighttime scene. We're open till 11 o'clock every night. It's very vigorous, vital. Lots of restaurants, bars, stores, homes, parks. And the streetcar has been a facilitator of that. It's just been amazing to watch it happen. People really like riding a train. You know, they just smile. I think it sort of takes them back to their childhood in some way. The fascination with track transportation is just-- something that people are very excited about.

GLORIA OHLAND, AUTHOR OF STREET SMART

The streetcar is really about neighborhood transportation. And it's really about the pedestrian and making it possible for pedestrians to go just a little bit further than they would be likely to go on foot.

RATHER (VOICE OVER)

GLORIA OHLAND LITERALLY WROTE THE BOOK ON STREETCARS. SHE WORKS FOR A NON-PROFIT GROUP PUSHING FOR MORE PUBLIC TRANSPORTATION IN MORE CITIES. AND SHE'S BEEN CONSULTING WITH DOZENS OF COMMUNITIES

ACROSS THE COUNTRY THAT ARE INTERESTED IN STARTING THEIR OWN STREETCAR SYSTEMS. OHLAND SAYS THEY'RE A CHEAP SOLUTION TO INSPIRE URBAN RENEWAL.

OHLAND

We call them development-oriented transit. Because when you put the streetcar tracks down in the street, developers want to be close to the streetcars. There was a study in Portland that showed that developers built at 90 percent of allowable density right next to the streetcar line, and that it tapered off to about 45 percent of allowable density at three blocks and further away.

RATHER (VOICE OVER)

IN PORTLAND THIS ISN'T THEORY, IT'S A REALITY YOU CAN SEE.

POWELL

We were surrounded literally by empty buildings that had been a brewery. And while it was a brewery the neighborhood smelled nice, but as empty buildings, they weren't the best neighbors. Now, they're filled with residents and offices and retailers.

RATHER (VOICE OVER)

IT ALL SEEMS SO MODERN...AND YET A CENTURY AGO DOWNTOWNS IN CITIES ACROSS AMERICA LOOKED VERY MUCH LIKE TODAY'S PORTLAND.

OHLAND

Well, streetcars were very popular in the '20s and '30s. And most systems, I think, were around until the '40s and '50s. But after World War II, of course everybody came back. And America was booming. And the suburbs were booming. And everybody wanted a car. And streetcars just fell out of popularity.

RICK GUSTAFSON, EXECUTIVE DIRECTOR OF PORTLAND STREETCAR, INC.

So a hundred years later-- we went back and we figured out an old lesson that actually was pretty good.

RATHER (VOICE OVER)

RICK GUSTAFSON IS THE HEAD OF THE PORTLAND STREETCAR COMPANY. HE SAYS PORTLAND'S FORESIGHT IN FAVORING PUBLIC TRANSPORTATION OVER EXPANDING THEIR HIGHWAY SYSTEM HAS HAD TREMENDOUS RESULTS.

GUSTAFSON

Portland's very proud of the fact that today, in 2008 there are no more cars-- driving in downtown than there were in 1970. We handle 12,000 trips a day, nearly four million riders a year on the street car.

RATHER (VOICE OVER)

AT JUST FOUR MILES LONG THE PORTLAND STREETCAR CRISSCROSSES THE CITY CONNECTING HOSPITALS, COLLEGES, RESTAURANTS, OFFICES AND APARTMENT BUILDINGS. OVER THE LAST SEVEN YEARS IT'S ALREADY BEEN EXTENDED THREE TIMES. AND FOR THE THOUSANDS OF DAILY USERS, THE BEST PART IS THE RIDE IS FREE FOR MUCH OF THE ROUTE. FOR GUSTAFSON THE SUCCESS OF THE STREETCAR IS OBVIOUS FOR ANYBODY WHO COMES TO PORTLAND.

GUSTAFSON

Well, we're standing in Jameson Square in Portland, which is the popular Pearl district-- which-- was developed in the late 90's and early 2000's-- around the streetcar line. With parks, open space, essentially a walk-able, urban environment, it actually ended up being the best place to live in the Portland region.

RATHER (VOICE OVER)

PEARL DISTRICT RESIDENT DEE ABBATE IS OUT FOR A MORNING OF ERRANDS WITH HER GRANDDAUGHTER. SHE SAYS THE CHANGE HERE HAS BEEN REMARKABLE.

DEE ABBATE

Ten years ago it was truly, very industrial, old warehouses. I'm not sure there was anything down here.

RATHER (VOICE OVER)

BUT WHEN THE STREETCAR LINE WENT IN ...SO DID ABBATE. SHE SOLD HER CONDO IN WASHINGTON STATE TO MOVE TO THE NEIGHBORHOOD.

ABBATE

We're actually heading up to the grocery store. I needed a few things, so we're-- embarking out on the streetcar. I baby-sit once a day, so we hit the car and away we go. And this will take you to museums, it just takes you to everything. It's nice cause you know I'll tell you, sometimes I don't drive my car for four or five days. And that's wonderful. Wonderful. A lot of people don't have a car here because of that. They don't even need to.

RATHER (VOICE OVER)

BUT FOR POWELL THE STREETCAR REPRESENTS MORE THAN JUST FREEDOM FROM CARS OR THE REBIRTH OF A NEIGHBORHOOD.

POWELL

It makes a statement about your city. They care, first off, about the environment, and you care about how people move around. We're not here as the enemy of the car, but we're here to recognize that cars have their limitation. Streetcars were originally designed to solve problems

when there were no cars, or when cars were really expensive. Well, cars, in a different way, are very expensive today, and the streetcar is as relevant now as it was at the turn of the 20th century.

RATHER (VOICE OVER)

THE AIRLINE INDUSTRY IS CERTAINLY FEELING ITS SHARE OF THE PRESSURE, THAT'S BECAUSE THERE'S NO BETTER WAY TO PUT IT, JET FUEL PRICES ARE SOARING. SEVERAL SMALLER AIRLINES HAVE FILED FOR BANKRUPTCY PROTECTION IN THE PAST FEW MONTHS. WHILE THE LARGER CARRIES IN THE U.S. HAVE MOVED TOWARD REDUCTIONS IN FLIGHT SCHEDULES, GROUNDING HEAVY PLANES AND LAYOFFS OF PEOPLE. SOME OF THE LARGER CARRIES ARE INTRODUCING A VARIETY OF EXTRA FEES AND HIGHER TICKET PRICES IN AN EFFORT TO COMPENSATE FOR THE DOUBLING OF JET FUEL COSTS SINCE JANUARY OF LAST YEAR. AMERICAN AIRLINES, THE LARGEST IN THE COUNTRY, HAS ANNOUNCED A NEW 15 DOLLAR FEE ON PASSENGERS FIRST CHECKED PIECE OF BAGGAGE THAT'S IN ADDITION TO THE RECENTLY ENACTED 25 DOLLAR CHARGE ON A SECOND CHECKED BAG. BUT ACCORDING TO TOM KLOZA, HIGH FUEL PRICES AREN'T JUST AFFECTING BIG BUSINESSES.

KLOZA

In the rest of the world right now, the perception and probably a little bit of the reality is that the product that's tightest, and the demand is growing the fastest, for diesel fuel. Transportation diesel. Diesel to power generators. Diesel to run the mines. Diesel to run the agriculture. That's why diesel prices are above five dollars on bookends of the country, in California and New York. Jet fuel, as well. Jet fuel prices are very, very high. The U.S. is probably the last big, broad gasoline economy. If you look at Brazil, they're using more of an ethanol blend as well and most of the European countries have a diselfication policy that's probably a word I just created. But they probably use 55 percent or more of their vehicles use diesel instead of gasoline you get better mileage but it would be a tough sell in the United States with diesel prices above five dollars a gallon to use those turbo diesel engines.

RATHER

We've talked about, for example, the shoot up, skyrocketing price of jet fuel. And that affects big airlines and eventually it affects consumers. Let's talk about smaller businesses. With the high price of oil, what does it do to small and medium-sized businesses?

KLOZA

Well, I'll tell ya, Dan, right now, if you're a trucking company, if you're a-- in the fishing business, if you're doing anything in transportation, you're really dancing on a knife's edge. We're seeing a lot of small trucking companies. Even midsized trucking companies go out of business. And if anyone's been on the road lately, you can tell the trucks are going slower. And there's not as many of them. Now, that might be a silver lining, I suppose. But it's not gonna be a silver lining when you get the goods delivered, and-- the price is higher for everything.

RATHER (VOICE OVER)

PAUL DWYER IS ONE OF THOSE WHO'S STRUGGLING. OUT OF THREE AND A HALF MILLION TRUCKERS NATIONWIDE, HE'S ONE OF 400,000 INDEPENDENT OPERATORS. A MILK HAULER IN WISCONSIN, IT TOOK HIM NEARLY A QUARTER CENTURY TO BUILD UP HIS FLEET OF FIVE MILK TRUCKS. HE WAS ABLE TO HANDLE THE RISING PRICE OF DIESEL FOR A WHILE, BUT NO LONGER.

DWYER

When it hit four dollars you know, then the grim reality is that each truck was taking about 425 dollars a day's worth of fuel. You times that by five and you've got a 2000-dollars-a day fuel bill. You know, and yeah, I panicked.

RATHER (VOICE OVER)

DWYER'S DAY BEGINS AT DAWN AS HE TRAVELS 40 MILES TO A DAIRY FARM IN ONALASKA - ONE OF DOZENS OF FARMS ACROSS THE STATE WHERE HE PICKS UP MILK. 76 MILES DOWN THE ROAD, AT THE PROCESSING PLANT, THE MILK WILL BE PASTEURIZED AND MADE INTO MOZZARELLA CHEESE, AND SOLD ACROSS THE COUNTRY. FOR DWYER, THIS NOT JUST A JOB. IT'S WHAT HE LOVES TO DO.

DWYER

When I started hauling milk, that's when I knew that I'd found what I wanted to do. It's just the close relationship you have with each farm. They're not only business contacts, but they become your friends.

RATHER (VOICE OVER)

BUT THE HIGH FUEL PRICES HAVE CHANGED THE MILK BUSINESS – AND NOT JUST FOR THE TRUCKERS. AS DIESEL GOES UP, IT COSTS MORE TO PROCESS THE MILK, AS WELL AS TRANSPORT IT, AND ULTIMATELY EVERYTHING GETS MORE EXPENSIVE. AT THE END OF THE CHAIN, YOU SEE THE HIGHER PRICES EVERY TIME YOU GO TO THE STORE.

DWYER

In the past few months, a gallon of milk that used to be, like, 2.49 a gallon is now over 3.05 a gallon, and some of it's even higher than that.

RATHER (VOICE OVER)

AS A NATION, WE DEPEND ON TRUCKING TO DELIVER JUST ABOUT EVERY BITE OF FOOD WE EAT. EVEN IF IT TRAVELS BY AIR OR RAIL, THE FIRST AND LAST MILE TO THE STORE STILL GOES BY TRUCK. INDEPENDENT HAULERS LIKE DWYER PROVIDE COMPETITION FOR THE BIGGER COMPANIES AND HELP KEEP DOWN THE COST OF SHIPPING. BUT WHEN IT COMES TO THEIR EXPENSES, THEY CAN'T NEGOTIATE VOLUME DISCOUNTS LIKE THE BIG GUYS . . . ON JUST ABOUT

EVERYTHING, FROM TRUCK PARTS TO FUEL. AROUND THE COUNTRY, INDEPENDENT TRUCKERS HAVE BEEN HOLDING PROTESTS, LIKE THIS RECENT ONE IN PENNSYLVANIA.

DWYER

This is probably the worst it's ever been . . . Six months ago, I was pretty happy with everything yeah, fuel prices were on the rise, but it was okay, it was still manageable. But, uh, now I worry that our economy can't handle this high fuel price. And I worry that the economy is gonna collapse, and if it collapses, someday I'll wake up and I'll be as broke and poor as a church mouse . . .

RATHER (VOICE OVER)

THE COST OF DIESEL IS TOPIC NUMBER ONE AT THE LOCAL DINER.

FARMER

You know that Eastside Dairies over there?

DWYER

Yeah, East Elm?

FARMER

Well from Sunday night to Wednesday night, they spent 12 thousand dollars on fuel . . .

RATHER (VOICE OVER)

AFTER LUNCH, DWYER STOPS AT TWO MORE DAIRY FARMS, COLLECTING HIS LAST LOADS FOR THE DAY.

DRIVER

Are you hauling the rest of the week?

DWYER

Yes I am.

RATHER (VOICE OVER)

THE GOOD NEWS FOR DWYER IS THAT HIS DAY ENDS AROUND THREE IN THE AFTERNOON. THE BAD NEWS IS THAT AFTER 262 MILES ON THE ROAD, IT'S TIME TO FUEL UP.

DWYER

Today the bill is 333.63 and we had 71 gallons of fuel. Two weeks ago, our fuel was about four dollars and 38 cents a gallon. We're up almost 30 cents in a two-week period.

RATHER (VOICE OVER)

BY DWYER'S ESTIMATE, THAT'S AN ADDITIONAL 6 THOUSAND DOLLARS A MONTH. THE HIGHER FUEL BILL MEANS LESS MONEY FOR OTHER EXPENSES.

DWYER

Maybe the tire guy won't get paid this month. Maybe the shop won't get their money this month. You know, for repairs and maintenance that I don't do. It's like a lottery systems, you gotta pick and choose who gets paid and who don't get paid. But drivers have to be paid, and the fuel bill has to be paid.

RATHER (VOICE OVER)

HOW LONG WILL IT BE BEFORE DWYER PARKS HIS TRUCKS FOR GOOD? HE SAYS HE'LL HANG ON AS LONG AS HE CAN, BUT THAT IT ALL DEPENDS ON WHAT HAPPENS AT THE PUMP.

DWYER

If the fuel price spiked and went to six, seven dollars a gallon that would probably be enough to take us out. And like I say, 25 years is done and over. So then I could be a Wal-Mart greeter.

RATHER

AND WHILE SMALL BUSINESSES ARE SEEING THEIR FUEL BILL'S GO UP BY THOUSANDS OF DOLLARS THE U.S. MILITARY THE LARGEST SINGLE USER OF FUEL MEASURES ITS FUEL COSTS IN THE BILLIONS AND THAT'S WITH A B. THE ARMED FORCES USES SOME THREE HUNDRED FORTY THOUSAND BARRELS OF OIL A DAY. THAT'S ONE AND A HALF PERCENT OF ALL THE OIL USED BY THIS COUNTRY AND THE SINGLE BIGGEST USER IN THE MILITARY IS THE AIR FORCE.

RATHER (VOICE OVER)

THE BIGGEST SINGLE COST FOR THE AIR FORCE IS JET FUEL. IT FLIES THROUGH MORE THAN TWO HUNDRED MILLION GALLONS OF FUEL A MONTH. IN THE PAST FOUR YEARS, THE AIR FORCE'S COSTS FOR JET FUEL ALONE HAVE DOUBLED....TO SIX BILLION DOLLARS LAST YEAR.

BILL ANDERSON, AIR FORCE ASSISTANT SECRETARY FOR INSTALLATIONS,  
ENVIRONMENT AND LOGISTICS

Every time a barrel of oil increases by \$10 that-- equates to \$660 million annually of additional expense for the United States Air Force and for the American taxpayer.

RATHER (VOICE OVER)

IT'S BILL ANDERSON JOB TO CUT THE AIR FORCE'S FUEL BILL, HE IS THE ASSISTANT SECRETARY FOR INSTALLATIONS, ENVIRONMENT AND LOGISTICS.

ANDERSON

We're talking about cost increases that are in the billions of dollars, not pocket change, it severely impacts the way that you can, that you have to run your operation.

RATHER (VOICE OVER)

SPIRALING COSTS HAVE FORCED THE AIR FORCE TO GO GREEN.

ANDERSON

The largest solar array in the Americas is at Nellis Air Force base outside of Las Vegas. It's actually saving we project on an annual basis the American taxpayer a million dollars a year in energy costs. So we're looking at renewables like solar, like-- wind, like-- biomass materials. And we're also looking at whether nuclear, small package nuclear, facilities are-- are feasible at Air Force bases.

RATHER (VOICE OVER)

ANOTHER OPTION...USING SYNTHETIC FUEL, DERIVED FROM COAL INSTEAD OF PETROLEUM. ANDERSON SAYS THAT COAL -BASED FUEL IS LESS EXPENSIVE AND CAN BE PRODUCED IN AN ENVIRONMENTALLY FRIENDLY WAY ...WITHOUT RELYING ON FOREIGN COUNTRIES.

ANDERSON

They refer to the United States as the Saudi Arabia of coal. So if you can learn to use coal in a very clean way it provides a-- a tremendous number of options and flexibility.

RATHER (VOICE OVER)

SO FAR, SYNTHETIC FUEL HAS BEEN USED SUCCESSFULLY IN THE B-52 AND B-1 BOMBERS, AS WELL AS THIS C-17 CARGO PLANE. THE AIR FORCE INTENDS TO GET HALF ITS FUEL FROM NON-PETROLEUM SOURCES BY 2016. THE WAR IN IRAQ HAS SHOWN THAT CUTTING FUELS SAVES MORE THAN JUST DOLLARS, IT CAN SAVE LIVES, THAT'S BECAUSE GETTING FUEL CONVOYS TO THE BATTLE FIELD PUTS TROOPS AT RISK.

ANDERSON

So if we take convoys off the road, that's a good thing. If we take airplanes out of the sky that aren't-- aren't necessary for transportation, it's-- it's-- it's a good thing. The soldier, sailor, airman or Marine of the future probably will be a greener-- member of the military than-- than our folks are today because-- not only because of the price of fuel but-- but because it's gonna make it easier to do the mission as we move forward.

RATHER (ON CAMERA)

TONIGHT YOU'VE SEEN MANY WAYS THE COUNTRY IS COPING WITH HIGH FUEL PRICES WE'VE SEEN EXAMPLES OF STRUGGLE AND INNOVATION. WHILE NO ONE

SEEMS CONFIDENT IN PREDICTING HOW HIGH THE PRICES WILL GO EVERYONE SEEMS TO HAVE THEIR OWN THEORY AS TO WHY THEY'RE GOING UP. TO TRY AND MAKE SENSE OF THE MADNESS HERE AGAIN IS ANALYST TOM KLOZA.

RATHER

When you talk to oil company executives, I've tried to talk to some. What they say is-- the blame is on speculators. That's a quote. If you're looking for somebody to blame, blame it on the speculators, or financial players. What do you think of that?

KLOZA

There's an incredible flow of money, and not traditional money. Not coming from oil companies, and not coming from end users like airlines or refineries, that's been pouring into the oil markets. Not-- not specifically oil. All commodities. But-- oil is probably the one that strikes the most-- attention with the public. And that investment, a buy and hold strategy in particular, for really, billions of dollars, is probably more to do with why oil is about \$130 or more, than why it's-- \$50 or \$70-- such as we saw earlier in the decade.

RATHER

The fact that many people some call them speculators, are buying and selling commodities, are they the biggest culprits?.

KLOZA

I think they're the culprits-- in this move, from let's say \$100 to \$130 a barrel. Whenever a flood of money, you know, money is the biggest fundamental out there. And when everyone thought Krispy Kreme was a great bet, the price of Krispy Kreme went up, despite some of the short sellers who said, "This is ridiculous." "It shouldn't be moving that high." And the same thing's happening in oil right now. People aren't-- aren't sort of intrepid enough to sell into it. And there's a sense that more and more pension money, and sort of sleepy investment money is gonna come in and buy all commodities, including oil. But oil and corn and metals are some of the favorites right now. If you look at all commodities, since 2007, they've all risen-- perhaps not in tandem with one another. But quite substantially, it's one of the great moves of an asset class of this decade. Much more than real estate. Much more than stocks. Much more than bonds.

RATHER

What about the peak theory? Something called, quote, "the peak theory"? What is it, and how does this figure in?

KLOZA

Well, peak oil is-- the notion that we've reached sort of the-- the capacity of finding oil. And-- and it's gonna be in decline. And-- and there's a lot of different theories about that, whether it's gonna be 2015 or beyond. But we really won't know when we're past peak, so to speak, until we're looking at it in a rearview mirror. So, there's a lot of things we can do rather than say we're

at the peak, and we need to do this or that. There-- there are some sensible action that can be taken.

RATHER

Such as?

KLOZA

Well, I think we really need to have a dialogue about this investment flow, not just in oil, but into all commodities. A-- you know, it's one thing when you have a proliferation of funds, and it drives the price of stocks higher, like we saw in the '80s or the '90s. But it's a different thing when it's driving the prices of core commodities that really, a lot of the world depends on for sustenance. You know, we-- we can be engaging in a little bit of statistical immorality here. And I'd like to see some par-- circuit breakers. I'd like to see-- some more margin, so that people can't (unintel), and really have small pieces of money and control large h-- chunks of paper oil, so to speak. And I think we really need to think about it as a country. And-- and perhaps-- across a number of countries. And think about whether it's wise to have investment money flowing into things like corn and grain and oil that are really lifeblood instruments for the population. You know, that-- that has dramatic consequences. And it's really something that's only happened in the last five or six years. Commodities used to be the province of the speculators and the pros. And now, it may be that in the next few years, individuals may not even know it, but they're investing in these things.

RATHER

I don't quite understand that. Individuals-- might not even know it, but they're investing in oil, coal--

KLOZA

Well, if they could have money that's in a 401K-- for example, and they may allocate it to sort of a commodities portion or whatever. This-- this is mostly something that the well-heeled individuals have now. People with literally millions of dollars of-- of venture capital, or capital that they wanna have investment banks put it-- wor-- work. And this can go to basically fuel the fire, so to speak, and drive these prices for oil or for grain higher. India recently outlawed trading rice as a commodity-- there. And I think they're worried about it, because they're worried about-- potential famine. And they're-- you wouldn't call it a famine with oil. But certainly, if people don't have the right to buy it a reasonable price because of investment money flowing in that's a problem.

RATHER

But the question is out there, and begs to be asked. Is it moral or is it immoral to use speculation in commodities. The basic human needs, for strictly-- profit, and some would say greed?

KLOZA

I-- I think that's a question we have to ask. And I think that's a question that not just Americans have to answer, but the other developing countries, and the other prosperous countries. Because-- we could reward the elite in this country, but we really could put a lot of people over the edge, into poverty. And-- and I think it's a good question to ask. I don't know the answers. I don't know if some of the solutions could be more violent or more damaging than keeping the present system, but I think it's-- it's a good debate and a good dialogue to have these days.

RATHER

Are we having that national debate?

KLOZA

Not yet. I'm starting to see a few columnists talk about it. And I'm starting to see some people, even within the oil business. They're mostly quiet voices. But they're saying-- the business has been taken over by the financial houses. And not that the financial companies are guilty of any particular collusion. It's sort of the collusion of like thinking, where everybody believes that this is gonna be the favorite asset class, and the prices go higher.

RATHER

You know as well or better than I do, that people would say, "Listen. Free market is the answer. The free market will eventually take care of all of this. So, we don't need any legislation. We don't need any regulation. We don't need any circuit breakers. Just let it go and the market will take care of it."

KLOZA

Well, that's possible. But free markets can deliver out pain. And they can meet out pain in unbelievable doses. And one can say that \$150 to \$200 barrel oil is a good thing, based on carbon footprints, and based on the conservation, it inspires. But then you have to look at all the people on the margins of society. Whether in the US or abroad, that really get hurt by this. And I think it's a dialogue we need to have. Not just with oil. But with other sort of lifeblood commodities. And-- we're startin' to hear some murmurs about it right now. Probably not in political circles, but within the people who professionally watch commodities markets.

RATHER

By lifeblood commodities, you mean rice, corn, wheat, coal?

KLOZA

Right. It's-- it's something which would be difficult to do without. In the U.S., it would be difficult for people to do without their gasoline. And I can't recall since Jimmy Carter where anybody asked for the U.S. population to make any-- sacrifices in-- on energy. So, I don't expect we'll see anything on that score by November.

RATHER

What should these candidates be proposing?

KLOZA

Well-- I wish they would propose that we really think about-- ha-- having some energy discipline, or a national energy discipline program. And I think they should be talking about extra drilling, as well as some conservation. You know, do something for the left and do something for the right. But I also recognize that to ask the Americans to make sacrifice these days is probably political suicide. So, I wouldn't expect anything to happen.

RATHER

Do you believe that? That asking Americans to make a sacrifice would be political suicide? It's well accepted in the political world.

KLOZA

Right.

RATHER

You do it, you die.

KLOZA

I-- I-- I think that once one gets elected, one can do it. But I-- I'm enough of a-- a longtime journalist and a cynic to believe that it might not work this year. Ah-- you know, I think pretty highly of the American people. But I think that would be a tough sell.

RATHER (ON CAMERA)

TOM KLOZA. AND THAT'S OUR REPORT TONIGHT FROM CONNECTICUT. FOR HDNET, DAN RATHER REPORTING. GOODNIGHT.