

NATIONAL PRESS CLUB LUNCHEON WITH NEW YORK GOVERNOR GEORGE PATAKI

MODERATOR: JONATHAN SALANT, NPC PRESIDENT

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MR. SALANT: Good afternoon, and welcome to the National Press Club. I'm Jonathan Salant, a reporter for Bloomberg News, and president of the club. I'm also a former correspondent covering the state legislature in Albany.

I'd like to welcome club members and their guests in the audience today, as well as those of you watching on C-SPAN.

Please hold your applause during the speech so we have time for as many questions as possible. For our broadcast audience, I'd like to explain that if you hear applause, it is from the members of the general public and the guests who attend our luncheons, not from the working press.

The video archive of today's luncheon is provided by ConnectLive and is available to members of the National Press Club through our website at www.press.org. Members may also get free transcripts of our luncheons at our website. Nonmembers may buy transcripts, audio tapes and video tapes by calling 1-888-343-1940.

For more information about joining the Press Club, please call us at area code 202-662-7511.

Before introducing our head table, I'd like to remind our members of future speakers. On September 7th, Senator Joe Biden, a Democrat from Delaware; and on September 11th, Tom Kane and Lee Hamilton, who chaired the 9/11 commission, will speak on the 5th anniversary of that tragedy.

On September 9th, the Press Club will hold it's 9th Annual 5K Run/Walk and Talent Auction to raise money for our minority scholarship program. For more information about the 5K Run or to register, please check out our website at www.press.org.

If you have any questions for our speaker, please write them on the cards provided at your table and pass them up to me. I will ask as many as time permits.

I'd now like to introduce our head table guests and ask them to stand briefly when their names are called. Please hold your applause until all of the guests are introduced.

From your right, Alan Bjerga, McClatchy Newspapers, and a member of the National Press Club's Board of Governors; Kathy Kiely of USA Today, chair of the Press Club's Scholarship Committee; Rick Dunham, Business Week, the immediate past president of the National Press Club, the president of our Library Board, and the chair of the 5K Committee. I talked about the 5K Run. Well, Kathy is the committee's -- selects the scholarship winners, and Rick helps raise the money for Kathy to be able to award the scholarships for. Keith Hill of BNA, Inc., and a member of the National Press Club Board of Governors; David Catalfamo, the governor's communications director; Jamila Bay (sp), a freelance writer; Charles Gargano, the chairman of the Empire State Development Corporation; Angela Greiling Keane, associate editor of "Traffic World," and the vice chair of the National Press Club Speakers Committee. Skipping over our speaker for a moment, Jerry Zremski, vice president of the National Press Club, a reporter for the Buffalo News, and the member of the Speakers Committee who arranged today's luncheon. Jerry, thank you very much. John Cahill, secretary to the governor and chief of staff; Clarence Page, syndicated columnist and an editorial board member of the Chicago Tribune; Judy Holland of Hearst Newspapers -- and Hearst owns the Albany Times Union; Eleanor Clift, a contributing editor for Newsweek; and Douglas Turner, the Washington Bureau chief for the Buffalo News. (Applause.)

You've all heard the story. The governor of New York wins his post after defeating a heavily favored opponent. He delivers a well- received speech in prime time at his party's national convention and in his third term in office is talked about as a potential presidential candidate, fueling such speculation by traveling to Iowa and New Hampshire.

Well, Mario Cuomo couldn't be here today. (Laughter.) Our speaker is the man who became a giant-killer by defeating the Democratic governor: George Pataki. Governor Pataki was a state senator when, with the support of then-Senator Alfonse D'Amato, he was chosen to lead the Republican ticket in 1994.

He picked a good year to run. That was the year the Republicans in Washington checked control of the House of Representatives for the first time in 40 years. Showing that his first one was not a fluke, Governor Pataki went on to win two more terms in Albany, joining Nelson Rockefeller as the only New York Republican governor to serve more than two terms.

Indeed, Governor Pataki hails from what is left of the Rockefeller wing of the Republican Party. While a strong supporter of President George W. Bush, whom he introduced at the 2004 Republican convention, Governor Pataki goes the opposite way on many issues. For example, he supports abortion rights and rights for gays and lesbians. When it comes to the environment, Governor Pataki has a lot in common with his hero, Teddy Roosevelt, the last Republican governor to become president. In fact, he even named his eldest son Theodore. Governor Pataki helped broker a deal to protect New York's drinking water, worked to preserve 1 million acres of land in the Adirondacks and has been a leader in efforts to reduce global warming.

He's not a political brawler like his mentor, Senator D'Amato. On the contrary, he's been described as affable and laconic. He doesn't even talk like me. (Laughter.)

Governor Pataki was elected on pledges to cut taxes and bring back the death penalty. He did cut taxes, but state spending skyrocketed under his watch. He signed legislation restoring the death penalty, but the courts threw it out. And while he won three terms as governor, he leaves the state Republican Party at its nadir, with perhaps no statewide elected officials after November.

Governor Pataki is pondering a 2008 presidential run. He may face opposition from his home state. Former New York City Mayor Rudy Giuliani is already thinking about running.

Well, Governor Pataki already has one win over Mayor Giuliani. The mayor crossed party lines to endorse Mario Cuomo in 1994.

Like Mayor Giuliani, Governor Pataki was in office when terrorists destroyed the World Trade Center on 9/11. He laid the cornerstone for the Freedom Tower, to be built on that site, proclaiming that New Yorkers could "begin to reclaim our skyline."

The governor is a graduate of Yale University and Columbia Law School. He served as mayor of Peekskill, New York, in addition to the state legislature. Today he is the longest-serving governor in the United States. Let's welcome Governor George Pataki to the National Press Club. (Applause.)

GOV. PATAKI: Thank you. Jonathan, thank you, I think, for that unique introduction. (Laughter.)

And good afternoon to all of you, and thank you for the opportunity to speak with you.

One of America's defining characteristics as a people and as a nation is our knack for accepting and overcoming great challenges. And throughout American history, those challenges have come in the form of threats to our nation's underlying principle, and that, of course, is our freedom.

Two hundred and thirty years ago, we came together to win our independence from a great global empire. Sixty-five years ago, we came together to lead the free world to victory over fascism and tyranny. Seventeen years ago, we came together to witness freedom and democracy triumph over communist oppression. And nearly five years ago, when the enemies of freedom wrought their depraved evil in New York, Pennsylvania and right here in the nation's capital, we came together to answer the challenge once again. Whenever our freedom has been challenged, the people of this great nation have stood shoulder to shoulder, and with American unity, courage and industry, emerged victorious every single time.

It is time to stand together once again as we are now confronted with another critical challenge -- our nation's dangerous dependency on unreliable sources of energy. Today, despite three decades of discussion, America still remains dangerously dependent on oil that is in large part owned and controlled by nations that don't share our fundamental belief in freedom.

Iran, for example -- a nation led by a regime that unabashedly and openly supports international terror; a regime that has called for the destruction of Israel and actively pursues nuclear weapons continues to be enriched by America's overreliance on foreign oil. While we don't directly buy any oil from Iran, our consumption of over a quarter of the world's oil production drives up the price they get from nations like China and India. Oil is a global market, and we are its largest consumer. For every five-dollar increase in the global price of oil, Iran takes in \$85 million more a day -- \$85 million a day that they can use to advance their nuclear program or to buy more Katyusha rockets for Hezbollah.

Closer to home, another oil-rich nation, Venezuela, is led by Hugo Chavez, an avowed enemy of the United States and an ally of Fidel Castro, a despot who is actively spreading anti-American sentiment throughout the world and seeking to create a bloc of leftist, anti- American states here in our own hemisphere. Every gallon of Venezuelan Citgo gas we pump into our cars helps Chavez add another Russian fighter jet to the massive military buildup he is carrying out right here in our own backyard.

And these are certainly not the only regimes whose opposition to American values, to the principles we hold dear, to the cause of a great and free America that's being fueled by America's growing consumption of oil. The disturbing irony is that the world epicenter for anti-American hatred and for terror is also the epicenter of our number one source of energy.

In fact, just 9 percent of the world's oil comes from nations considered free by the nonpartisan government watchdog Freedom House.

Even as terrorists continue their barbaric efforts to prevent democracy in Iraq; even as our ally Israel continues to be attacked from the very lands it ceded in the name of peace; even as a number of governments throughout the Middle East continue to support, harbor and encourage the terrorists that threaten America and our allies, we continue to spend hundreds of billions of dollars a year on the imported fuel that funds their operations.

And while foreign oil's ties to terror and to (despotism ?) are surely reason enough to act, it is only part of the reason. Our oil dependency translates to greater vulnerability, not just to

terrorism and the spread of anti-American sentiment, but to economic -- to our economic stability as well. Our overreliance on imported oil makes our markets directly and easily susceptible to flare-ups of unrest in the unstable Middle East, to even more threats of terror here at home, and to deliberate manipulations of oil prices by foreign regimes.

And that overreliance leaves us susceptible to disruptions at home, as we are seeing just today with the problems that have been unveiled in Alaska.

Imported oil is the largest contributor to America's annual trade imbalance -- at current prices, more than a billion dollars a day -- \$1 billion a day that should instead be creating more jobs and opportunity and a better future right here at home.

In addition to the inherent strategic and economic risks of petroleum dependency, we must also consider the environmental risks. Overreliance on petroleum continues to contribute significantly to the emission of greenhouse gases that are harmful to our environment and to human health, and that must be curbed if we are to avoid serious consequences in the future.

Foreign oil's undeniable ties to terror, to global instability and to continued environmental degradation make immediate decisive action to reduce our petroleum consumption absolutely critical.

How much more motivation could we possibly need? It's time for a direct, united and focused American campaign to diversify our energy supply, to bring greater efficiency to our energy use and to reduce our dangerous dependency on foreign oil.

When this challenge first arose, our president said, quote, "We will break the back of the energy crisis. We will lay the foundation for our future capacity to meet America's energy needs from American resources." That wasn't President Bush talking. It was President Nixon, 32 years ago.

The following year President Ford said, quote, "My goal is to make America independent of foreign energy sources by 1985." It didn't happen. Nineteen-eighty-five brought us no closer to that goal.

In 1977 President Carter unveiled a plan for energy independence and called the energy crisis one of the greatest challenges our country will face during our lifetime.

But here it is almost three decades later, and our continuing oil dependency poses a clear and present danger to America, to our environment, to our economic stability, to our very freedom as a secure nation and people. It is time for a real commitment to diversify our energy supply, to achieve greater energy efficiency across the board and to build our national strength and our global competitiveness through greater energy self-reliance.

Five and a half million of the 20.7 million barrels of oil we consume every day comes from OPEC, the cartel that includes Iran and Venezuela, and that is simply too much. How much longer must we, the world's greatest nation, be made to hold our breath whenever oil ministers meet in some exotic foreign locale to discuss production and price? How much longer can we

afford to let our need for oil be -- tie our hands on critical geopolitical decisions? It's time to break free of foreign oil's dangerous influence once and for all.

The goal we must pursue is a simple one. Let's replace the equivalent of every drop of OPEC oil, 25 percent of our current total consumption, with greater efficiency, greater domestic production and greater use of petroleum alternatives, and let's commit to doing it within the next 10 years. I believe this is a sensible objective, an achievable objective, and considering the possible consequences of continued inaction, a critical objective. If we begin now, there is no reason why the next 10 years cannot be the decade America declared and finally won our freedom from foreign oil dependence.

How do we do it? We begin with what is by far the largest contributing factor to that oil dependency -- transportation. Transportation accounts for 70 percent of U.S. petroleum consumption, and that percentage continues to grow. Why? Because in the U.S., the vehicles we rely on to move our people and goods are 97 percent dependent on just one type of fuel, petroleum. Talk about putting all your eggs in one barrel.

It's time for private industry, consumers, and government to work together. With American know-how, entrepreneurial spirit and vision, we will reshape the way we fuel our transportation system. Sure it's a demanding challenge, but as I said, when we Americans stand together, there is no challenge we cannot overcome.

A half century ago, President Eisenhower recognized that our nation's inadequate highway system was both a strategic vulnerability and an impediment to economic growth. So in 1956, he made history by signing the Federal Aid Highway Act, which created the interstate highway system. That commitment built the biggest, best highway system the world had ever seen; the infrastructure that spurred, rapid and robust economic growth across the nation and solidified America's standing as a world superpower.

Here we are exactly 50 years later, and for all its benefits, that great transportation system has led us to another defining challenge -- our dangerous overreliance on foreign oil to power the vehicles that use it.

We have an interstate highway system. Now we need incentives and policies to help private industry build an interstate alternative fuel system -- the infrastructure that will help us overcome our dependency on foreign oil for transportation.

I'm not talking about the government picking winners and losers, making investments that favor one technology over another. That's where President Carter's synfuels approach went wrong.

I'm proposing a positive policy of tax and other incentives that lets the market answer the question how, what and where. The only question that government should answer is when, and that, of course, is now.

We know that America cannot continue to rely on gasoline and diesel as if they were the only available options to our transportation system, yet the technologies that hold the solution to our

oil dependency remain on the periphery just out of the reach of American consumers. There are already viable alternatives that are out there: ethanol, natural gas, biodiesel -- and others on the horizon like cellulosic ethanol, fuel cells, and hydrogen. We need a national policy that provides the impetus for them to reach the marketplace and to get there quickly.

Over the years, there have been ideas that addressed part of the problem, but we've yet to take the comprehensive approach that is necessary. If we hope to finally bring real diversity to our fuel supply, we must simultaneously address all segments of the market: production, distribution and use.

Let's start with production. We need to provide the incentives that will minimize the risks that are keeping too many private investors out of the alternative fuel business. Here are five initiatives that would dramatically increase the market's production of alternative fuels.

First, let's dramatically reduce the upfront cost and risk of building bio-refineries and other alternative fuel production facilities by allowing companies to immediately expense their capital investment in these projects.

Second, let's provide transportation fuel producers with a meaningful federal production tax credit for renewable and clean petroleum alternatives.

Third, let's further reduce the risk with a vastly expanded federal loan guarantee program to help finance alternative fuel plans.

Fourth, let's leverage the federal government's huge purchasing power by moving all federal vehicles and offices to petroleum alternatives within the next 10 years.

And finally, let's reaffirm America's standing as the worldwide leader in innovation and technology. We did it in computer chips with SEMATECH. Now let's do it in energy by establishing a National Center of Excellence for Alternate Fuels and Vehicle Technologies. This public-private partnership will leverage corporate America's R&D efforts with the best minds of America's academia to develop the next generation of petroleum alternatives and energy-efficient breakthroughs.

Enacting these five measures would accelerate the development of a competitive production market for the transportation petroleum alternatives that are the key to reducing our reliance on foreign oil.

But increased production is not enough. We need retail outlets to distribute the petroleum alternatives, and of course vehicles capable of carrying them. For too long, distribution and use of alternate fuels have been mired in a classic chicken-and-egg problem: Transportation fuel suppliers see no reason to offer these alternative fuels because of the lack of vehicles capable of running on them. And on the flip side, auto manufacturers see no reason to dramatically increase production of the vehicles because the fuels are extremely limited in availability. We need to address both sides simultaneously if we are going to break this gridlock.

First, we need to dramatically increase the number of service stations that offer petroleum alternatives. Currently, the federal government offers a tax credit of up to \$30,000 for service stations to add alternative fuel pumps. Yet, far too few station owners have availed themselves of it. Why? First, in too many cases, privately owned service stations are actually prohibited from offering petroleum alternatives by the oil companies that supply them. Think about this for a minute. It's not that service stations won't offer a choice at the pump, it's that the suppliers say they can't. We need to start immediately with legislative action to outlaw such restrictive and anti-competitive provisions. But we need to do even more. We need to provide real incentives to encourage and empower service stations to offer petroleum alternatives.

In addition to the current federal tax credit, I propose a new zero interest loan program for service stations that would address the upfront capital costs of adding or converting to alternative fuel pumps. Built into this loan program would be a sliding scale of loan forgiveness based on the total percentage that alternative fuel sales represent to a service station's total fuel sales. Simply put, the more alternative fuels they sell, the less the loan they'd be required to pay back.

By fueling fuels -- by providing fuel stations with these incentives and new freedom from oil company prohibitions, we can finally give consumers across America the ability to access the fuels that can break our dangerous dependency on foreign oil.

The final link in the infrastructure chain is the vehicles themselves.

First, there is no reason why every single new gas-powered car sold in America should not at a minimum include flexfuel capability. It's established technology. It works, and it guarantees consumers a choice for about the same price they would be charged to buy floormats.

But obviously, if we are to make across-the-board reductions to our vehicles' reliance on petroleum, we need to do much more. Currently, all new vehicles must comply with CAFE standards. But under CAFE, nearly every vehicle on our roads today still runs on petroleum -- the petroleum that is enriching our enemies and polluting our air. It has loopholes that undermine its very purpose, and it does not adequately encourage the production of the alternative fuel vehicles that are a key to breaking America's foreign oil dependencies.

Let me state a simple truism here. Automakers will only make cars that consumers will buy, and consumers choose their cars based on many factors, particularly price. The fact is most Americans still find alternative fuel vehicles too expensive. Not surprisingly, less than 2 percent of cars on our roads today are either hybrid or flexfuel capable.

What we need is a new system of manufacturing incentives specifically aimed at achieving our objective. The best way to reduce our nation's reliance on petroleum is by reducing each vehicle's reliance on petroleum. I am proposing a new petroleum reduction incentive, a sliding scale of production tax credits for new vehicles, credits that increase as each car's reliance on petroleum decreases, irrespective of what technology is used to achieve that reduction.

Take, for instance, an average car on the road today. The standard version of that car travels about 21 miles for every gallon of petroleum that it uses. If that same car used hybrid technology, it could travel about 30 miles for every gallon of petroleum.

Now, if that same hybrid car ran on E85 ethanol, it could get about 140 miles per gallon of petroleum. And a plug-in hybrid flexfueled version might travel nearly 200 miles for every gallon of petroleum that it uses.

Whether it's achieved through greater gas efficiency or by using petroleum alternatives, the amount of petroleum saved would form the basis for the incentive.

The greater the amount of petroleum savings, the greater the tax break. Of course, some vehicles, like those that run on hydrogen or CNG, don't use any petroleum, and those vehicles would be given the highest tax break. If by using this incentive program we could raise the average mileage of U.S. vehicles on the road from 21 to 34 miles per gallon of petroleum use, that in itself could accomplish our goal of reducing our current petroleum consumption by 5.5 million barrels a day, the equivalent of what OPEC sends us today.

But our options for reaching this goal aren't limited to cars. Trucks and buses consume 20 percent of our transportation fuel, and there's much to do on this front as well. Ten years ago, I directed New York's MTA, the world's largest mass transit system, to begin converting its bus fleet to electric hybrid and CNG buses. The result has been cleaner air, less petroleum usage and greater efficiency. In and of itself, mass transit is one of the most effective fuel efficiency strategies -- more people moved, fewer engines doing the work. It's simple. Adding alternative fuel and hybrid technology to mass transit adds efficiency on top of efficiency. Let's incentivize federal mass transit funding formulas to that states and municipalities have a greater impotence to replace their petroleum- powered buses with cleaner, more efficient hybrids and alternative-fueled vehicles.

And then, there are the trucks. We've all pulled into a highway rest-stop and seen dozens of semis parked there; motors idling away to power their heaters or their radios. That all-night idling alone burns 65,000 barrels of fuel every day. What if we could offer truckers the opportunity to save fuel and money by plugging into the electric grid instead of idling on diesel? RV parks have electric plug-ins, so do marinas. It is time we put electricity plug-ins at highway rest-stops across the nation and encourage truck manufacturers and owners to incorporate this technology into America's truck fleet. This simple solution could save millions of barrels of diesel fuel, put money back into the pockets of working Americans and improve the quality of our air.

The program I have outlined today would have a tremendous positive impact on our air and on our environment. If we achieve the petroleum reduction goal I set out, it would reduce emissions of greenhouse gases by nearly a billion tons a year, but it would be naive to think we could totally replace or eliminate petroleum-based fuels. Even as we work towards historic reductions in greenhouse gases, we're going to continue to need oil. What we cannot do is continue to rely on foreign sources as heavily as we do now.

We need to ramp-up domestic oil production. One way to do this through new technologies like CO2 injections, and it is also time to lift the outdated restrictions on oil and gas exploration in appropriate areas of the United States like the Gulf of Mexico. If we are going to decouple our energy needs from the specter of terrorism, we must take a broad-based approach that includes greater energy efficiency, a more diverse fuel supply and also stepping up our own domestic oil production.

It is clear that the nation needs to do much more to reduce petroleum consumption and to increase our energy efficiency. I think New York can offer some ideas as to how to do it. Many of the initiatives I've advanced today mirror those we've already implemented in New York state. We've made energy efficiency a top priority in New York.

Here's some of what we've done. We've required all state agencies to reduce energy use by 35 percent relative to 1990 levels and purchase 20 percent renewable fuel by 2010. We've required that all new vehicles purchased by state government be powered by alternative fuels by 2010, and at present already more than 80 percent of the vehicles we purchase meet that requirement.

We've required state agencies to purchase biofuel to power state vehicles and to heat state buildings. We've eliminated all state motor fuel taxes on alternative fuels. We've enacted a biofuel production tax credit of 15 cents per gallon. Last week I signed a law prohibiting fuel suppliers from contractually barring service stations from selling petroleum alternatives.

We've begun to install alternative fuel pumps at service stations all along the New York State Thruway. We are retrofitting 600 hybrid vehicles in the state fleet with a plug-in electric capability, technology that replaces petroleum consumption with domestically produced electricity.

And make no mistake about it; more efficient electricity usage has a role to play in reducing petroleum dependency. The focus must be on making both generation and use cleaner and more efficient.

Toward that end, New York adopted the first green building tax credit in the nation, and we enacted an energy efficiency building code.

We implemented a renewable portfolio standard which requires 25 percent of the electricity sold in New York to come from clean, efficient sources, like hydro, biomass, fuel cells, wind and solar power.

And we spearheaded the Northeast Regional Greenhouse Gas Initiative, a seven-state agreement that put in place the nation's first mandatory cap-and-trade program for reducing power plant emissions of CO2. This market-based initiative will achieve a 10 percent reduction in their greenhouse gas emissions by 2019.

These are all sensible energy-efficiency and petroleum-reduction measures already under way in New York state. But there's only so much individual states can do. As I said earlier, replacing 25

percent of our current petroleum consumption within the next decade is a goal that's going to take a unified and focused national commitment, and the time to start is now.

There was a time, not long ago, when the notion of a computer in virtually every U.S. household seemed far-fetched, when wireless telephone were the stuff of science fiction, and the VCR was considered revolutionary. Today, of course, the majority of U.S. households use the Internet. There are nearly 2 billion cell phone subscribers worldwide, and the VCR is being replaced by digital recorders and DVDs.

Time after time, America has helped lead the world through innovation. Today, we must do it again. Our response to the interconnected challenges of terror and overreliance on petroleum will shape our destiny as a nation and as a people. We've reached a critical decision point in America, the decision between dependency and self-reliance; between vulnerability and freedom; between the polluting fuels of yesterday and the clean alternatives of tomorrow. In this age of terror and increasing global instability, we can no longer afford to live dependent on foreign oil regimes. We must instead have the determination to break the cycle of oil dependency and rise to new heights of security, prosperity and economic power.

Just as Americans have always done in the face of our most pivotal trials, it is time to focus the unparalleled resources, ingenuity and industry of this great nation on meeting this defining challenge -- American families, private industry, science, university and governments all working together. When we Americans come together to meet a critical objective, there is virtually nothing we cannot accomplish, no challenge we cannot overcome. It is time to rise to the challenge once again, and the time to act is today.

Thank you. (Applause.)

MR. SALANT: Why hasn't the Bush administration embraced the kind of energy solutions you outlined here today?

GOV. PATAKI: Well, they have made some significant strides, and there a number of incentives and credits out there. But I don't think anyone has proposed a comprehensive approach, and that's what we need. If you focus just on the vehicles, you're not going to have the supply. If you focus on the distribution of the fuel, you're not going to have the production. What you need is a coordinated approach that deals with all of these different issues. We have a number of elements out there, but none of them address all of the issues involved.

This proposal would do that. We would encourage production from renewable domestic sources across the United States. We would have that distribution network from coast to coast that you have to have if you're going to have the market for the public to purchase the vehicles that increase our ability to break our dependence on foreign oil.

So I think -- I'm not going to look back at what others may have done in the past. What we have to do is look forward, and I think this is the right way to break that dependence.

MR. SALANT: You talked about alternative fuel engines for cars and idling reduction ideas for trucks. But what about incentives for diesel alternatives for trucks?

GOV. PATAKI: Diesel alternatives are part of what we talked about. I didn't specifically address it, but biodiesel is one of the fuels that are a part of this entire proposal, and trucks that use biodiesel reduce their oil usage, their petroleum usage by mixing in 20 percent biodiesel. That would be a part of this. It is a part of the plan, and it is something we are doing in New York right now.

MR. SALANT: If the government doesn't pick winners and losers for alternative transportation fuels, what will provide consistency among engine technologies and fuel supply availabilities at service stations that are necessary for interstate travel?

GOV. PATAKI: I think you cannot predict the future with enough accuracy that the federal government can stand here and say, "This is the solution." The greatness of America are the entrepreneurs, the innovators, the researchers who come up with ideas that we might not even be thinking about today. So that's why we have to have this incentive package that doesn't pick a winner and say, "This will be the technology." We incentivize across the board and let the market ultimately determine which of those will work best.

Just as an example, for trucks, in all likelihood, it will be something like biodiesel. Because it works better, the trucks generally rely on diesel fuel.

For vehicles, it may well be cellulosic ethanol. This is not the ethanol that comes from starch. This is ethanol that comes from wood or switchgrass and has a much higher energy efficiency factor.

We are not there with cellulosic ethanol yet, but if we know we're going to have the demand, if we know we're going to have the support, if we know those investors are going to be able to write off the investment up front and also have a production tax credit, then I think we're going to see the science and we're doing to see the entrepreneurs develop these technologies in a way that the public will have them available.

MR. SALANT: What do you think is the possibility or probability of Congress passing legislation to allow service station owners nationwide to sell alternative fuels?

GOV. PATAKI: To me, that's something that should be relatively easy. You know, the entire free market system is based on competition and having choice. Right now -- and let me just reflect back a little bit. I signed the bill in New York state saying that the oil suppliers couldn't ban gasoline stations from selling compressed natural gas or ethanol or biodiesel last week. And I did it at a service station that wanted to put in an ethanol pump. Under the lease agreement they had from their oil supplier, they were precluded from doing that. And as I said, that's one of the reasons why, in spite of the existing credit that you have for gasoline stations, they're not utilizing it. And you're not going to have people buying the cars unless they can pull up at the gas station and fill up with the fuel that that car would use.

So I think it's extremely important that we end this prohibition that is anti-competitive. And I don't see why anyone in Congress would want to be standing in the way of allowing domestic production of renewable fuel sources in America that will keep billions of dollars here, instead of sending it to places like Venezuela -- why that should not become law very quickly.

MR. SALANT: Speaking of alternative energy, what is your stand on developing more nuclear power?

GOV. PATAKI: I think, as part of the energy program, we need to develop more nuclear power. We've seen enormous strides made in the rest of the world. France, I believe, gets significantly more than half its energy from nuclear power. It doesn't have the problem of greenhouse gas emissions. We had developed technologies -- the world has -- that make it far safer than it was back 20 or 30 years ago. And I think it is a part of the future of clean energy in the United States.

MR. SALANT: Should we also lift drilling restrictions in the Arctic National Wildlife Refuge?

GOV. PATAKI: Well, there's no question we have to expand domestic production of oil. But I think you just see this afternoon what happened unless we have reliable additional sources that are convenient to the market.

So yes, we need to open up more places for oil exploration and drilling, but we also must have sources of energy that are closer to the consumer.

Right now, in some parts of the Midwest, you see those ethanol plants, but you don't see them very often in the Northeast, which is obviously one of the most populated and energy-dependent parts of our country.

That's why this incentive program, in addition to having additional domestic sources of petroleum, would allow us to have those plants, those facilities in states like New York and New England so that we could access those alternative sources very close to where the consumer is.

MR. SALANT: How would your recommendations affect the U.S. auto industry, which -- this correspondent says -- which depends on gas-guzzling SUVs for its financial stability?

GOV. PATAKI: You know, I think that's an important part of this. We all know the automobile industry in the United States is struggling enormously, and in significant part, their profits are coming from the larger, heavier vehicles, where they can have a higher profit, but that also consume a lot more energy. That's one of the important reasons to put in place a manufacturer's tax credit that would incentivize them to produce vehicles that significantly reduce the reliance on petroleum. I think this would have an enormously positive impact on the automobile industry in the United States, not just because of that increasing of the fuel standards that we would incentivize for companies that actually produce those cars, but also Americans have an advantage in flexfuel technology right now. And in fact, Ford is exporting flexfuel vehicles to Brazil because they have the ability to make them here, and Brazil has used flexfuel ethanol technology to reduce its dependence on oil. So this, I believe, would have a very positive impact on the automobile industry in the United States.

MR. SALANT: Would you favor an increase in the federal gas tax?

GOV. PATAKI: That's a real hard one. The answer is simple -- no. I don't think that is the way to go.

What we're trying to do here is create incentives, and -- incentives for the consumer, incentives for the manufacturer, for the distribution system and for the production of fuel. I don't think that raising gas taxes is going to do anything but further hurt the economy of America.

You know, think about it today. A family that works for a living pulls up at the gasoline station, and in parts of New York, they're paying almost three and a half dollars a gallon for gas. That has an enormous negative impact on a family's budget. To try to put taxes on top of that just compounds the problem for that family. This is a way where we could lower the cost at the pump by creating competition and having these alternative fuels.

MR. SALANT: Switching gears, can a moderate Republican, especially one who supports abortion rights, win your party's presidential nomination?

GOV. PATAKI: I'm not a political consultant, and I don't intend to pontificate as to what might happen politically in either party going forward. But I think what we do need to have is a better sense of a common vision for our country, an idea that we have far more in common as Americans than what divides us over issues that at times seem to be the most important thing in the world.

But when you think about the fact that we are engaged in a war, we are fighting literally for the survival of freedom in parts of the country, we overly dependent in sending a billion dollars a day, often to unfriendly regimes like Venezuela, I think a common vision as to how we could approach and address and solve those problems is what Americans want to hear. So as we go forward, I would hope that that becomes a part of the national debate, that common vision as to how we overcome the problems this country faces.

MR. SALANT: Why hasn't your party been able to recruit a stronger candidate to run against Hillary Clinton, and do you think that that will make her more formidable in 2008?

GOV. PATAKI: I think we do have a good candidate against -- we have actually two of them running in a primary, the former of mayor of one of our largest cities and an official who served in the Reagan administration.

It's not an easy task. New York State is a state that has 2 million more Democrats than Republicans, but I'm a great believer, as you pointed out, in 1994, that regardless of the status nationally of a particular figure, if you go out there and make the case, you can win the race. And that's what we're going to continue to try to do for the Republican candidate in New York State.

MR. SALANT: Why didn't you run? (Laughter.)

GOV. PATAKI: I'm the governor of New York. (Laughter.) It is a very important job, and it's a job that I've felt very privileged to have had over the course of the last 11 and a half years. And while I'm not running for reelection this November, I do want every day, from now until January 1st, to continue to advance the policies and take the action that will make New York even stronger.

MR. SALANT: If a Democratic tsunami sweeps away a number of House Republicans in New York State this fall, do you think the Republican Party will hold you responsible for it?

GOV. PATAKI: Well, that's a very fair question. First of all -- (laughter) -- first of all, who says it's going to be Democratic tsunami? You know, there are a lot of challenges out there for our country and for our party, but I believe if we advance the ideas and take the right action, that we can have great victories not just in New York, but across the country. And of course, if there's a national trend, there's a national trend, but I am a great believer that the way you win is not because you had the structure, you had this person, you had someone else behind you; it's because you go out there and do the work. You go out there and shake the hands, talk to the people, outline your vision, make the case why what you want to do is going to improve their lives, and you win the race.

So you know, there are always those looking to point blame or point a finger here or lay the blame on someone else. That's part of the problem when we're not looking forward at solving issues and solving problems and standing together. So let's look forward, let's work hard to have victories from my party this November, and let the candidates do the best to advance their ideas and issues.

MR. SALANT: What do you think most has to be done for your party to win in November?

GOV. PATAKI: I think we have to continue to have policies that the average American can relate to. Think about where we are today. You know, it's August of an election year, and here in Washington that's what everybody talks about are the elections, but I don't think that's what the American family is talking about. The American family is talking about the fact that we're in war, and we have brave young Americans, the finest people I have ever met, in countries like Iraq and Afghanistan dying in defense of freedom.

The average American family is thinking what's going to happen when they pay \$3.25 or in some places 50 cents for a gallon of gas, and they need it to get to work or to take their kids to school.

And there's concern now with the emergence of China and India and other countries as a global force in our economy about whether or not our children 10 years from now, 20 years from now are going to have the same economic opportunities and the same confidence their life is going to be better than our lives have been. Those are the issues that are -- the American family is thinking about.

And what we have to do between now and November is just continue to have policies that are going to strengthen our economy, that are going to allow the American people to have

confidence that we're not going to be dependent on places like Iran and Venezuela for the price of gasoline at the fuel pump.

And we have to have the commitment to make sure we win the war on terror so that the people of America are never attacked again.

Now, think about -- you mentioned earlier that you're going to have the heads of the September 11th commission here for the 5th anniversary commemoration. Think about what happened then, and the fact that America was vulnerable in a way we had never seen before to those who detest the freedoms that we cherish and take for granted. Since that time, because we have been proactive in going after those who would attack us again, we haven't been subjected to another attack. They've been attacked in London, they've been attacked in Madrid, they've been attacked in Turkey, they've been attacked in Morocco, they've been attacked in Bali. And you saw just a week or two ago where there was the attack in India, in Mumbai. We have to continue to be aggressive to go after those who would seek to regroup and attack us again.

So there's a broad agenda of things that need to be done, and not just so that people can win an election in November, but so that we can have confidence in a stronger future for the people of America and for this great country.

MR. SALANT: Speaking of 9/11, the 9/11 commission report, could you please give us -- give them a letter grade and explain your opinion of that report.

GOV. PATAKI: Well, I think when all of us looked at what happened on September 11th, we understand that there was a tremendous failing on the part of intelligence. And to me, what is hard to understand is that September 11th, no one predicted, no one anticipated. But think of what had happened in the decade before. The World Trade Center Towers were attacked and bombed, yes on September 11th, but also eight years earlier in 1993. We had our embassies in East Africa blown up by Islamic terrorists. We had Khobar Towers blown up by Islamic terrorists. And in 2000, we had the USS Cole blown up by Islamic terrorists. And yes, there may have been a failure of intelligence, but I think there was also a failure of responding to a clear and present danger that the United States faced when you saw that history of attacks.

So they have recommended changes in how our intelligence system functions. A number of those changes have been put in place. But I don't think there's a person in Washington who would say we have the perfect system. And what we have to continue to do is make sure that we have the best and most efficient ability to gather intelligence and, of course, to protect our freedom.

And out of September 11th came the entire Office of Homeland Security. And I can tell you that while there are a lot of imperfections, and particularly with the funding formula, where we think symbolic areas and important areas of America, like New York City, like Washington, should be allocated significantly more funding because it should be based on a threat-based analysis, while we need to dramatically improve some of these elements, including that element of our homeland security effort, we've made significant strides since September 11th of 2001. There's a

lot longer to go, there's much more to do, but I'm confident if we work together we can get it done.

MR. SALANT: Why is the funding formula skewed against places like New York and Washington?

GOV. PATAKI: I can't answer that question. Someone here in Washington would have to answer it. But I know you need a balance. Our food supply is critical, and we want to make sure that we have the security to make sure that major facilities that allow us to feed ourselves are protected.

We also have to protect the transportation and energy infrastructure across the country.

But we also know that certain parts of America are symbols of our country. On September 11th, I don't think it was New York that was attacked. It was America that was attacked, and the World Trade Center towers were attacked because it was a symbol of the strength of our country, a symbol of our freedom, so that Congress and the administration must recognize that when it comes to allocating those funds, whether it's Washington, New York City or other very important parts of our country, they should get additional funding.

MR. SALANT: New York City transit workers protested outside the Press Club today saying they've been without a contract since December. They say you torpedoed a tentative agreement. How do you respond?

GOV. PATAKI: Well, first, it was nice to have them here making me feel at home. (Laughter.) I came to Washington and I had pickets. It reminded me of New York. I felt like I was back there.

But let me say a little bit seriously about the TWU. We have a law in New York State that bars public employees from striking. It's been a law that's been on the books for decades with bipartisan support, because you can just imagine what would happen if the police officers go out on strike, if the firefighters go out on strike, or if the transit workers go out on strike. What they did during the course of the contract negotiations was deliberately flaunt and ignore that law. They broke the law and engaged in an illegal labor act. They clearly sent a signal to New Yorkers that they didn't care, that the law was irrelevant to them, and they virtually said exactly that. The courts came down on them and came down on them very hard with fines and in fact jail term for the head of that union.

What we have to do is have employees, employers, everyone work together, respect the law and have fair contracts that reflect the work that the workers do.

But in this case, there's no question, if you look at the history of what happened here, when you break the law, you can't be pointing the finger at someone else. You should be looking in the mirror because they're the ones responsible for the actions that they took.

HECKLER: (Off mike.)

MR. SALANT: Since the tragic deaths of 20 New Yorkers as a result of the recent power outages in Queens, are there plans to replace or improve the infrastructure in New York's energy delivery system?

GOV. PATAKI: I hope you heard the question, and I think it's a very important question because we did over the course --

HECKLER: (Off mike.)

GOV. PATAKI: You know, it's one thing to --

HECKLER: (Off mike.) Don't touch me. Don't touch me! I said don't touch me. You're responsible for the strike in New York -- (off mike) --

GOV. PATAKI: You know --

HECKLER: (Off mike) -- so don't -- (inaudible)!

GOV. PATAKI: (Chuckles.) I think what you just saw --

HECKLER: (Off mike) --

GOV. PATAKI: -- I think what you just saw made the point that I was trying to make. You have to obey the law, and one of the cornerstones of our country is freedom of speech. And we have rules so that like -- forums like this when the press is here, you can engage in that dialogue and engage in that speech. So to me, it's quite clear that we need to uphold those laws and to hold people accountable when they break them.

Jonathan, you asked the question about the power outages in Queens and the upgrading of the Con Ed system.

Let me reflect back a little bit. We had in New York record temperatures, in the hundreds, and as is generally the case when that happens, we shattered the record for energy consumption in New York City, on Long Island and across the state.

Five years ago, 10 years ago, we wouldn't have had the power to get into the system. We would have had to have rolling brownouts or blackouts. But because of the actions we've taken over those last five years, even at the peak demand that shattered the records, we had significant additional power, and on Long Island we were actually exporting power to Connecticut because we had upgraded the generating system in New York significantly.

The problem lies with the distribution. And the utilities are charged with having the cables and the networks to make sure that they get the energy from the producers to the home, to the consumer.

That is an outdated system. We are pushing our utilities to make the capital investment they need to make to upgrade their systems.

But as we look to the future, I just want to comment on one other thing, because, you know, I outlined a number of new technologies and incentives to change the way we rely on foreign oil way too much. There are other exciting new developments out there, and another one is happening right in New York state.

A week ago, I turned on the cable, which was the first time in the history of the world where a new type of transmission cable, high- temperature superconductivity, is a part of the grid anywhere in the world. That was in Albany, New York. And that new type of cable is not only capable of carrying four to five times as much energy in the same space; instead of the current technology that uses fuel, that uses oil, and when it gets very hot, that oil can break down or actually catch on fire, it uses a new generation of cooling with liquid nitrogen that doesn't have those risks. It's experimental at this point.

But what I believe is going to happen in the near future is that we are going to see the older oil-based cables replaced by these superconductivity cables, and not only will we have a far more efficient way to distribute power to the consumer across our state and across our country; it dramatically reduces the need to produce energy. It would save about 5 percent of the energy between what is generated at the plant and what ends up at the plug in your home.

MR. SALANT: Before we ask the last question, I'd like to present you with the official National Press Club coffee mug. (Laughter, applause.)

It would be suitable for drinking a nice beverage on your trips to the Iowa cornfields. (Laughter.)

GOV. PATAKI: (Chuckles.) Do you -- it's empty. (Chuckles.)

MR. SALANT: And a certificate of appreciation. Thank you very much.

GOV. PATAKI: Thank you. Thank you. (Applause.)

MR. SALANT: Looking back, what bills would you have liked to sign into law but couldn't?

What do you feel you left unfinished in New York State?

GOV. PATAKI: In 30 seconds or less, right?

Now, let me -- looking back, I have to say that I feel extremely good about where New York is today compared to where we were 11-1/2 years ago. Sure there are things we still want to do, and I believe we can do, like expand the charter schools in New York state. I haven't gotten that through the legislature yet this year, but I hope we can do it before January 1st.

But if you look across the board, we've gone from being the most dangerous state in America by changing the criminal justice system from top to bottom, to where we are now the safest large state in America, and the safest we've been since they kept records in the '60s.

We've gone from being dead last in our finances, having the lowest credit rating in America, to having surpluses, tax cuts of \$140 billion cumulative over the time, 650,000 more private sector jobs, and our highest credit rating in 30 years.

And perhaps one of the things I'm most proud of is when I took office, in New York state, one in 11 of every single New Yorker was on welfare -- not one in 11 of the poor or New York City residents, one in 11 of every man, woman and child from the tip of Long Island to the shores of Lake Erie was trapped in dependency on government and welfare. We changed that system from top to bottom, created more jobs by cutting taxes and empowering the private sector, put in place more day care slots and job-training programs. And today we have 1,040,000 fewer people on welfare than we did back in 1995. There's more to do. I'm going to do more between now and January 1st. But we've come a long way from where we were back in 1995.

Thank you all very much. (Applause.)

MR. SALANT: I'd like to thank everyone for coming today. I'd also like to thank National Press Club Staff members: John Bloom, David King, Jo Anne Booze, Melinda Cooke, and Howard Rothman for organizing today's lunch.

And thanks to the Eric Friedheim National Journalism Library at the National Press Club for its research.

We're adjourned.

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END

NATIONAL PRESS CLUB LUNCHEON WITH NEW YORK GOVERNOR GEORGE PATAKI

MODERATOR: JONATHAN SALANT, NPC PRESIDENT

LOCATION: NATIONAL PRESS CLUB BALLROOM, WASHINGTON, D.C.

TIME: 1:00 P.M. EDT

DATE: MONDAY, AUGUST 7, 2006

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MR. SALANT: Good afternoon, and welcome to the National Press Club. I'm Jonathan Salant, a reporter for Bloomberg News, and president of the club. I'm also a former correspondent covering the state legislature in Albany.

I'd like to welcome club members and their guests in the audience today, as well as those of you watching on C-SPAN.

Please hold your applause during the speech so we have time for as many questions as possible. For our broadcast audience, I'd like to explain that if you hear applause, it is from the members of the general public and the guests who attend our luncheons, not from the working press.

The video archive of today's luncheon is provided by ConnectLive and is available to members of the National Press Club through our website at www.press.org. Members may also get free transcripts of our luncheons at our website. Nonmembers may buy transcripts, audio tapes and video tapes by calling 1-888-343-1940.

For more information about joining the Press Club, please call us at area code 202-662-7511.

Before introducing our head table, I'd like to remind our members of future speakers. On September 7th, Senator Joe Biden, a Democrat from Delaware; and on September 11th, Tom Kane and Lee Hamilton, who chaired the 9/11 commission, will speak on the 5th anniversary of that tragedy.

On September 9th, the Press Club will hold it's 9th Annual 5K Run/Walk and Talent Auction to raise money for our minority scholarship program. For more information about the 5K Run or to register, please check out our website at www.press.org.

If you have any questions for our speaker, please write them on the cards provided at your table and pass them up to me. I will ask as many as time permits.

I'd now like to introduce our head table guests and ask them to stand briefly when their names are called. Please hold your applause until all of the guests are introduced.

From your right, Alan Bjerga, McClatchy Newspapers, and a member of the National Press Club's Board of Governors; Kathy Kiely of USA Today, chair of the Press Club's Scholarship Committee; Rick Dunham, Business Week, the immediate past president of the National Press Club, the president of our Library Board, and the chair of the 5K Committee. I talked about the 5K Run. Well, Kathy is the committee's -- selects the scholarship winners, and Rick helps raise the money for Kathy to be able to award the scholarships for. Keith Hill of BNA, Inc., and a member of the National Press Club Board of Governors; David Catalfamo, the governor's communications director; Jamila Bay (sp), a freelance writer; Charles Gargano, the chairman of the Empire State Development Corporation; Angela Greiling Keane, associate editor of "Traffic World," and the vice chair of the National Press Club Speakers Committee. Skipping over our speaker for a moment, Jerry Zremski, vice president of the National Press Club, a reporter for the Buffalo News, and the member of the Speakers Committee who arranged today's luncheon. Jerry, thank you very much. John Cahill, secretary to the governor and chief of staff; Clarence Page, syndicated columnist and an editorial board member of the Chicago Tribune; Judy Holland of Hearst Newspapers -- and Hearst owns the Albany Times Union; Eleanor Clift, a contributing editor for Newsweek; and Douglas Turner, the Washington Bureau chief for the Buffalo News. (Applause.)

You've all heard the story. The governor of New York wins his post after defeating a heavily favored opponent. He delivers a well-received speech in prime time at his party's national convention and in his third term in office is talked about as a potential presidential candidate, fueling such speculation by traveling to Iowa and New Hampshire.

Well, Mario Cuomo couldn't be here today. (Laughter.) Our speaker is the man who became a giant-killer by defeating the Democratic governor: George Pataki. Governor Pataki was a state senator when, with the support of then-Senator Alfonse D'Amato, he was chosen to lead the Republican ticket in 1994.

He picked a good year to run. That was the year the Republicans in Washington checked control of the House of Representatives for the first time in 40 years. Showing that his first one was not a fluke, Governor Pataki went on to win two more terms in Albany, joining Nelson Rockefeller as the only New York Republican governor to serve more than two terms.

Indeed, Governor Pataki hails from what is left of the Rockefeller wing of the Republican Party. While a strong supporter of President George W. Bush, whom he introduced at the 2004 Republican convention, Governor Pataki goes the opposite way on many issues. For example, he supports abortion rights and rights for gays and lesbians. When it comes to the environment, Governor Pataki has a lot in common with his hero, Teddy Roosevelt, the last Republican governor to become president. In fact, he even named his eldest son Theodore. Governor Pataki

helped broker a deal to protect New York's drinking water, worked to preserve 1 million acres of land in the Adirondacks and has been a leader in efforts to reduce global warming.

He's not a political brawler like his mentor, Senator D'Amato. On the contrary, he's been described as affable and laconic. He doesn't even talk like me. (Laughter.)

Governor Pataki was elected on pledges to cut taxes and bring back the death penalty. He did cut taxes, but state spending skyrocketed under his watch. He signed legislation restoring the death penalty, but the courts threw it out. And while he won three terms as governor, he leaves the state Republican Party at its nadir, with perhaps no statewide elected officials after November.

Governor Pataki is pondering a 2008 presidential run. He may face opposition from his home state. Former New York City Mayor Rudy Giuliani is already thinking about running.

Well, Governor Pataki already has one win over Mayor Giuliani. The mayor crossed party lines to endorse Mario Cuomo in 1994.

Like Mayor Giuliani, Governor Pataki was in office when terrorists destroyed the World Trade Center on 9/11. He laid the cornerstone for the Freedom Tower, to be built on that site, proclaiming that New Yorkers could "begin to reclaim our skyline."

The governor is a graduate of Yale University and Columbia Law School. He served as mayor of Peekskill, New York, in addition to the state legislature. Today he is the longest-serving governor in the United States. Let's welcome Governor George Pataki to the National Press Club. (Applause.)

GOV. PATAKI: Thank you. Jonathan, thank you, I think, for that unique introduction. (Laughter.)

And good afternoon to all of you, and thank you for the opportunity to speak with you.

One of America's defining characteristics as a people and as a nation is our knack for accepting and overcoming great challenges. And throughout American history, those challenges have come in the form of threats to our nation's underlying principle, and that, of course, is our freedom.

Two hundred and thirty years ago, we came together to win our independence from a great global empire. Sixty-five years ago, we came together to lead the free world to victory over fascism and tyranny. Seventeen years ago, we came together to witness freedom and democracy triumph over communist oppression. And nearly five years ago, when the enemies of freedom wrought their depraved evil in New York, Pennsylvania and right here in the nation's capital, we came together to answer the challenge once again. Whenever our freedom has been challenged, the people of this great nation have stood shoulder to shoulder, and with American unity, courage and industry, emerged victorious every single time.

It is time to stand together once again as we are now confronted with another critical challenge -- our nation's dangerous dependency on unreliable sources of energy. Today, despite three decades

of discussion, America still remains dangerously dependent on oil that is in large part owned and controlled by nations that don't share our fundamental belief in freedom.

Iran, for example -- a nation led by a regime that unabashedly and openly supports international terror; a regime that has called for the destruction of Israel and actively pursues nuclear weapons continues to be enriched by America's overreliance on foreign oil. While we don't directly buy any oil from Iran, our consumption of over a quarter of the world's oil production drives up the price they get from nations like China and India. Oil is a global market, and we are its largest consumer. For every five-dollar increase in the global price of oil, Iran takes in \$85 million more a day -- \$85 million a day that they can use to advance their nuclear program or to buy more Katyusha rockets for Hezbollah.

Closer to home, another oil-rich nation, Venezuela, is led by Hugo Chavez, an avowed enemy of the United States and an ally of Fidel Castro, a despot who is actively spreading anti-American sentiment throughout the world and seeking to create a bloc of leftist, anti-American states here in our own hemisphere. Every gallon of Venezuelan Citgo gas we pump into our cars helps Chavez add another Russian fighter jet to the massive military buildup he is carrying out right here in our own backyard.

And these are certainly not the only regimes whose opposition to American values, to the principles we hold dear, to the cause of a great and free America that's being fueled by America's growing consumption of oil. The disturbing irony is that the world epicenter for anti-American hatred and for terror is also the epicenter of our number one source of energy.

In fact, just 9 percent of the world's oil comes from nations considered free by the nonpartisan government watchdog Freedom House.

Even as terrorists continue their barbaric efforts to prevent democracy in Iraq; even as our ally Israel continues to be attacked from the very lands it ceded in the name of peace; even as a number of governments throughout the Middle East continue to support, harbor and encourage the terrorists that threaten America and our allies, we continue to spend hundreds of billions of dollars a year on the imported fuel that funds their operations.

And while foreign oil's ties to terror and to (despotism ?) are surely reason enough to act, it is only part of the reason. Our oil dependency translates to greater vulnerability, not just to terrorism and the spread of anti-American sentiment, but to economic -- to our economic stability as well. Our overreliance on imported oil makes our markets directly and easily susceptible to flare-ups of unrest in the unstable Middle East, to even more threats of terror here at home, and to deliberate manipulations of oil prices by foreign regimes.

And that overreliance leaves us susceptible to disruptions at home, as we are seeing just today with the problems that have been unveiled in Alaska.

Imported oil is the largest contributor to America's annual trade imbalance -- at current prices, more than a billion dollars a day -- \$1 billion a day that should instead be creating more jobs and opportunity and a better future right here at home.

In addition to the inherent strategic and economic risks of petroleum dependency, we must also consider the environmental risks. Overreliance on petroleum continues to contribute significantly to the emission of greenhouse gases that are harmful to our environment and to human health, and that must be curbed if we are to avoid serious consequences in the future.

Foreign oil's undeniable ties to terror, to global instability and to continued environmental degradation make immediate decisive action to reduce our petroleum consumption absolutely critical.

How much more motivation could we possibly need? It's time for a direct, united and focused American campaign to diversify our energy supply, to bring greater efficiency to our energy use and to reduce our dangerous dependency on foreign oil.

When this challenge first arose, our president said, quote, "We will break the back of the energy crisis. We will lay the foundation for our future capacity to meet America's energy needs from American resources." That wasn't President Bush talking. It was President Nixon, 32 years ago.

The following year President Ford said, quote, "My goal is to make America independent of foreign energy sources by 1985." It didn't happen. Nineteen-eighty-five brought us no closer to that goal.

In 1977 President Carter unveiled a plan for energy independence and called the energy crisis one of the greatest challenges our country will face during our lifetime.

But here it is almost three decades later, and our continuing oil dependency poses a clear and present danger to America, to our environment, to our economic stability, to our very freedom as a secure nation and people. It is time for a real commitment to diversify our energy supply, to achieve greater energy efficiency across the board and to build our national strength and our global competitiveness through greater energy self-reliance.

Five and a half million of the 20.7 million barrels of oil we consume every day comes from OPEC, the cartel that includes Iran and Venezuela, and that is simply too much. How much longer must we, the world's greatest nation, be made to hold our breath whenever oil ministers meet in some exotic foreign locale to discuss production and price? How much longer can we afford to let our need for oil be -- tie our hands on critical geopolitical decisions? It's time to break free of foreign oil's dangerous influence once and for all.

The goal we must pursue is a simple one. Let's replace the equivalent of every drop of OPEC oil, 25 percent of our current total consumption, with greater efficiency, greater domestic production and greater use of petroleum alternatives, and let's commit to doing it within the next 10 years. I believe this is a sensible objective, an achievable objective, and considering the possible consequences of continued inaction, a critical objective. If we begin now, there is no reason why the next 10 years cannot be the decade America declared and finally won our freedom from foreign oil dependence.

How do we do it? We begin with what is by far the largest contributing factor to that oil dependency -- transportation. Transportation accounts for 70 percent of U.S. petroleum consumption, and that percentage continues to grow. Why? Because in the U.S., the vehicles we rely on to move our people and goods are 97 percent dependent on just one type of fuel, petroleum. Talk about putting all your eggs in one barrel.

It's time for private industry, consumers, and government to work together. With American know-how, entrepreneurial spirit and vision, we will reshape the way we fuel our transportation system. Sure it's a demanding challenge, but as I said, when we Americans stand together, there is no challenge we cannot overcome.

A half century ago, President Eisenhower recognized that our nation's inadequate highway system was both a strategic vulnerability and an impediment to economic growth. So in 1956, he made history by signing the Federal Aid Highway Act, which created the interstate highway system. That commitment built the biggest, best highway system the world had ever seen; the infrastructure that spurred, rapid and robust economic growth across the nation and solidified America's standing as a world superpower.

Here we are exactly 50 years later, and for all its benefits, that great transportation system has led us to another defining challenge -- our dangerous overreliance on foreign oil to power the vehicles that use it.

We have an interstate highway system. Now we need incentives and policies to help private industry build an interstate alternative fuel system -- the infrastructure that will help us overcome our dependency on foreign oil for transportation.

I'm not talking about the government picking winners and losers, making investments that favor one technology over another. That's where President Carter's synfuels approach went wrong.

I'm proposing a positive policy of tax and other incentives that lets the market answer the question how, what and where. The only question that government should answer is when, and that, of course, is now.

We know that America cannot continue to rely on gasoline and diesel as if they were the only available options to our transportation system, yet the technologies that hold the solution to our oil dependency remain on the periphery just out of the reach of American consumers. There are already viable alternatives that are out there: ethanol, natural gas, biodiesel -- and others on the horizon like cellulosic ethanol, fuel cells, and hydrogen. We need a national policy that provides the impetus for them to reach the marketplace and to get there quickly.

Over the years, there have been ideas that addressed part of the problem, but we've yet to take the comprehensive approach that is necessary. If we hope to finally bring real diversity to our fuel supply, we must simultaneously address all segments of the market: production, distribution and use.

Let's start with production. We need to provide the incentives that will minimize the risks that are keeping too many private investors out of the alternative fuel business. Here are five initiatives that would dramatically increase the market's production of alternative fuels.

First, let's dramatically reduce the upfront cost and risk of building bio-refineries and other alternative fuel production facilities by allowing companies to immediately expense their capital investment in these projects.

Second, let's provide transportation fuel producers with a meaningful federal production tax credit for renewable and clean petroleum alternatives.

Third, let's further reduce the risk with a vastly expanded federal loan guarantee program to help finance alternative fuel plans.

Fourth, let's leverage the federal government's huge purchasing power by moving all federal vehicles and offices to petroleum alternatives within the next 10 years.

And finally, let's reaffirm America's standing as the worldwide leader in innovation and technology. We did it in computer chips with SEMATECH. Now let's do it in energy by establishing a National Center of Excellence for Alternate Fuels and Vehicle Technologies. This public-private partnership will leverage corporate America's R&D efforts with the best minds of America's academia to develop the next generation of petroleum alternatives and energy-efficient breakthroughs.

Enacting these five measures would accelerate the development of a competitive production market for the transportation petroleum alternatives that are the key to reducing our reliance on foreign oil.

But increased production is not enough. We need retail outlets to distribute the petroleum alternatives, and of course vehicles capable of carrying them. For too long, distribution and use of alternate fuels have been mired in a classic chicken-and-egg problem: Transportation fuel suppliers see no reason to offer these alternative fuels because of the lack of vehicles capable of running on them. And on the flip side, auto manufacturers see no reason to dramatically increase production of the vehicles because the fuels are extremely limited in availability. We need to address both sides simultaneously if we are going to break this gridlock.

First, we need to dramatically increase the number of service stations that offer petroleum alternatives. Currently, the federal government offers a tax credit of up to \$30,000 for service stations to add alternative fuel pumps. Yet, far too few station owners have availed themselves of it. Why? First, in too many cases, privately owned service stations are actually prohibited from offering petroleum alternatives by the oil companies that supply them. Think about this for a minute. It's not that service stations won't offer a choice at the pump, it's that the suppliers say they can't. We need to start immediately with legislative action to outlaw such restrictive and anti-competitive provisions. But we need to do even more. We need to provide real incentives to encourage and empower service stations to offer petroleum alternatives.

In addition to the current federal tax credit, I propose a new zero interest loan program for service stations that would address the upfront capital costs of adding or converting to alternative fuel pumps. Built into this loan program would be a sliding scale of loan forgiveness based on the total percentage that alternative fuel sales represent to a service station's total fuel sales. Simply put, the more alternative fuels they sell, the less the loan they'd be required to pay back.

By fueling fuels -- by providing fuel stations with these incentives and new freedom from oil company prohibitions, we can finally give consumers across America the ability to access the fuels that can break our dangerous dependency on foreign oil.

The final link in the infrastructure chain is the vehicles themselves.

First, there is no reason why every single new gas-powered car sold in America should not at a minimum include flexfuel capability. It's established technology. It works, and it guarantees consumers a choice for about the same price they would be charged to buy floormats.

But obviously, if we are to make across-the-board reductions to our vehicles' reliance on petroleum, we need to do much more. Currently, all new vehicles must comply with CAFE standards. But under CAFE, nearly every vehicle on our roads today still runs on petroleum -- the petroleum that is enriching our enemies and polluting our air. It has loopholes that undermine its very purpose, and it does not adequately encourage the production of the alternative fuel vehicles that are a key to breaking America's foreign oil dependencies.

Let me state a simple truism here. Automakers will only make cars that consumers will buy, and consumers choose their cars based on many factors, particularly price. The fact is most Americans still find alternative fuel vehicles too expensive. Not surprisingly, less than 2 percent of cars on our roads today are either hybrid or flexfuel capable.

What we need is a new system of manufacturing incentives specifically aimed at achieving our objective. The best way to reduce our nation's reliance on petroleum is by reducing each vehicle's reliance on petroleum. I am proposing a new petroleum reduction incentive, a sliding scale of production tax credits for new vehicles, credits that increase as each car's reliance on petroleum decreases, irrespective of what technology is used to achieve that reduction.

Take, for instance, an average car on the road today. The standard version of that car travels about 21 miles for every gallon of petroleum that it uses. If that same car used hybrid technology, it could travel about 30 miles for every gallon of petroleum.

Now, if that same hybrid car ran on E85 ethanol, it could get about 140 miles per gallon of petroleum. And a plug-in hybrid flexfueled version might travel nearly 200 miles for every gallon of petroleum that it uses.

Whether it's achieved through greater gas efficiency or by using petroleum alternatives, the amount of petroleum saved would form the basis for the incentive.

The greater the amount of petroleum savings, the greater the tax break. Of course, some vehicles, like those that run on hydrogen or CNG, don't use any petroleum, and those vehicles would be given the highest tax break. If by using this incentive program we could raise the average mileage of U.S. vehicles on the road from 21 to 34 miles per gallon of petroleum use, that in itself could accomplish our goal of reducing our current petroleum consumption by 5.5 million barrels a day, the equivalent of what OPEC sends us today.

But our options for reaching this goal aren't limited to cars. Trucks and buses consume 20 percent of our transportation fuel, and there's much to do on this front as well. Ten years ago, I directed New York's MTA, the world's largest mass transit system, to begin converting its bus fleet to electric hybrid and CNG buses. The result has been cleaner air, less petroleum usage and greater efficiency. In and of itself, mass transit is one of the most effective fuel efficiency strategies -- more people moved, fewer engines doing the work. It's simple. Adding alternative fuel and hybrid technology to mass transit adds efficiency on top of efficiency. Let's incentivize federal mass transit funding formulas to that states and municipalities have a greater impotence to replace their petroleum- powered buses with cleaner, more efficient hybrids and alternative-fueled vehicles.

And then, there are the trucks. We've all pulled into a highway rest-stop and seen dozens of semis parked there; motors idling away to power their heaters or their radios. That all-night idling alone burns 65,000 barrels of fuel every day. What if we could offer truckers the opportunity to save fuel and money by plugging into the electric grid instead of idling on diesel? RV parks have electric plug-ins, so do marinas. It is time we put electricity plug-ins at highway rest-stops across the nation and encourage truck manufacturers and owners to incorporate this technology into America's truck fleet. This simple solution could save millions of barrels of diesel fuel, put money back into the pockets of working Americans and improve the quality of our air.

The program I have outlined today would have a tremendous positive impact on our air and on our environment. If we achieve the petroleum reduction goal I set out, it would reduce emissions of greenhouse gases by nearly a billion tons a year, but it would be naive to think we could totally replace or eliminate petroleum-based fuels. Even as we work towards historic reductions in greenhouse gases, we're going to continue to need oil. What we cannot do is continue to rely on foreign sources as heavily as we do now.

We need to ramp-up domestic oil production. One way to do this through new technologies like CO2 injections, and it is also time to lift the outdated restrictions on oil and gas exploration in appropriate areas of the United States like the Gulf of Mexico. If we are going to decouple our energy needs from the specter of terrorism, we must take a broad-based approach that includes greater energy efficiency, a more diverse fuel supply and also stepping up our own domestic oil production.

It is clear that the nation needs to do much more to reduce petroleum consumption and to increase our energy efficiency. I think New York can offer some ideas as to how to do it. Many of the initiatives I've advanced today mirror those we've already implemented in New York state. We've made energy efficiency a top priority in New York.

Here's some of what we've done. We've required all state agencies to reduce energy use by 35 percent relative to 1990 levels and purchase 20 percent renewable fuel by 2010. We've required that all new vehicles purchased by state government be powered by alternative fuels by 2010, and at present already more than 80 percent of the vehicles we purchase meet that requirement.

We've required state agencies to purchase biofuel to power state vehicles and to heat state buildings. We've eliminated all state motor fuel taxes on alternative fuels. We've enacted a biofuel production tax credit of 15 cents per gallon. Last week I signed a law prohibiting fuel suppliers from contractually barring service stations from selling petroleum alternatives.

We've begun to install alternative fuel pumps at service stations all along the New York State Thruway. We are retrofitting 600 hybrid vehicles in the state fleet with a plug-in electric capability, technology that replaces petroleum consumption with domestically produced electricity.

And make no mistake about it; more efficient electricity usage has a role to play in reducing petroleum dependency. The focus must be on making both generation and use cleaner and more efficient.

Toward that end, New York adopted the first green building tax credit in the nation, and we enacted an energy efficiency building code.

We implemented a renewable portfolio standard which requires 25 percent of the electricity sold in New York to come from clean, efficient sources, like hydro, biomass, fuel cells, wind and solar power.

And we spearheaded the Northeast Regional Greenhouse Gas Initiative, a seven-state agreement that put in place the nation's first mandatory cap-and-trade program for reducing power plant emissions of CO₂. This market-based initiative will achieve a 10 percent reduction in their greenhouse gas emissions by 2019.

These are all sensible energy-efficiency and petroleum-reduction measures already under way in New York state. But there's only so much individual states can do. As I said earlier, replacing 25 percent of our current petroleum consumption within the next decade is a goal that's going to take a unified and focused national commitment, and the time to start is now.

There was a time, not long ago, when the notion of a computer in virtually every U.S. household seemed far-fetched, when wireless telephone were the stuff of science fiction, and the VCR was considered revolutionary. Today, of course, the majority of U.S. households use the Internet. There are nearly 2 billion cell phone subscribers worldwide, and the VCR is being replaced by digital recorders and DVDs.

Time after time, America has helped lead the world through innovation. Today, we must do it again. Our response to the interconnected challenges of terror and overreliance on petroleum will shape our destiny as a nation and as a people. We've reached a critical decision point in America, the decision between dependency and self-reliance; between vulnerability and freedom; between

the polluting fuels of yesterday and the clean alternatives of tomorrow. In this age of terror and increasing global instability, we can no longer afford to live dependent on foreign oil regimes. We must instead have the determination to break the cycle of oil dependency and rise to new heights of security, prosperity and economic power.

Just as Americans have always done in the face of our most pivotal trials, it is time to focus the unparalleled resources, ingenuity and industry of this great nation on meeting this defining challenge -- American families, private industry, science, university and governments all working together. When we Americans come together to meet a critical objective, there is virtually nothing we cannot accomplish, no challenge we cannot overcome. It is time to rise to the challenge once again, and the time to act is today.

Thank you. (Applause.)

MR. SALANT: Why hasn't the Bush administration embraced the kind of energy solutions you outlined here today?

GOV. PATAKI: Well, they have made some significant strides, and there a number of incentives and credits out there. But I don't think anyone has proposed a comprehensive approach, and that's what we need. If you focus just on the vehicles, you're not going to have the supply. If you focus on the distribution of the fuel, you're not going to have the production. What you need is a coordinated approach that deals with all of these different issues. We have a number of elements out there, but none of them address all of the issues involved.

This proposal would do that. We would encourage production from renewable domestic sources across the United States. We would have that distribution network from coast to coast that you have to have if you're going to have the market for the public to purchase the vehicles that increase our ability to break our dependence on foreign oil.

So I think -- I'm not going to look back at what others may have done in the past. What we have to do is look forward, and I think this is the right way to break that dependence.

MR. SALANT: You talked about alternative fuel engines for cars and idling reduction ideas for trucks. But what about incentives for diesel alternatives for trucks?

GOV. PATAKI: Diesel alternatives are part of what we talked about. I didn't specifically address it, but biodiesel is one of the fuels that are a part of this entire proposal, and trucks that use biodiesel reduce their oil usage, their petroleum usage by mixing in 20 percent biodiesel. That would be a part of this. It is a part of the plan, and it is something we are doing in New York right now.

MR. SALANT: If the government doesn't pick winners and losers for alternative transportation fuels, what will provide consistency among engine technologies and fuel supply availabilities at service stations that are necessary for interstate travel?

GOV. PATAKI: I think you cannot predict the future with enough accuracy that the federal government can stand here and say, "This is the solution." The greatness of America are the entrepreneurs, the innovators, the researchers who come up with ideas that we might not even be thinking about today. So that's why we have to have this incentive package that doesn't pick a winner and say, "This will be the technology." We incentivize across the board and let the market ultimately determine which of those will work best.

Just as an example, for trucks, in all likelihood, it will be something like biodiesel. Because it works better, the trucks generally rely on diesel fuel.

For vehicles, it may well be cellulosic ethanol. This is not the ethanol that comes from starch. This is ethanol that comes from wood or switchgrass and has a much higher energy efficiency factor.

We are not there with cellulosic ethanol yet, but if we know we're going to have the demand, if we know we're going to have the support, if we know those investors are going to be able to write off the investment up front and also have a production tax credit, then I think we're going to see the science and we're doing to see the entrepreneurs develop these technologies in a way that the public will have them available.

MR. SALANT: What do you think is the possibility or probability of Congress passing legislation to allow service station owners nationwide to sell alternative fuels?

GOV. PATAKI: To me, that's something that should be relatively easy. You know, the entire free market system is based on competition and having choice. Right now -- and let me just reflect back a little bit. I signed the bill in New York state saying that the oil suppliers couldn't ban gasoline stations from selling compressed natural gas or ethanol or biodiesel last week. And I did it at a service station that wanted to put in an ethanol pump. Under the lease agreement they had from their oil supplier, they were precluded from doing that. And as I said, that's one of the reasons why, in spite of the existing credit that you have for gasoline stations, they're not utilizing it. And you're not going to have people buying the cars unless they can pull up at the gas station and fill up with the fuel that that car would use.

So I think it's extremely important that we end this prohibition that is anti-competitive. And I don't see why anyone in Congress would want to be standing in the way of allowing domestic production of renewable fuel sources in America that will keep billions of dollars here, instead of sending it to places like Venezuela -- why that should not become law very quickly.

MR. SALANT: Speaking of alternative energy, what is your stand on developing more nuclear power?

GOV. PATAKI: I think, as part of the energy program, we need to develop more nuclear power. We've seen enormous strides made in the rest of the world. France, I believe, gets significantly more than half its energy from nuclear power. It doesn't have the problem of greenhouse gas emissions. We had developed technologies -- the world has -- that make it far safer than it was back 20 or 30 years ago. And I think it is a part of the future of clean energy in the United States.

MR. SALANT: Should we also lift drilling restrictions in the Arctic National Wildlife Refuge?

GOV. PATAKI: Well, there's no question we have to expand domestic production of oil. But I think you just see this afternoon what happened unless we have reliable additional sources that are convenient to the market.

So yes, we need to open up more places for oil exploration and drilling, but we also must have sources of energy that are closer to the consumer.

Right now, in some parts of the Midwest, you see those ethanol plants, but you don't see them very often in the Northeast, which is obviously one of the most populated and energy-dependent parts of our country.

That's why this incentive program, in addition to having additional domestic sources of petroleum, would allow us to have those plants, those facilities in states like New York and New England so that we could access those alternative sources very close to where the consumer is.

MR. SALANT: How would your recommendations affect the U.S. auto industry, which -- this correspondent says -- which depends on gas- guzzling SUVs for its financial stability?

GOV. PATAKI: You know, I think that's an important part of this. We all know the automobile industry in the United States is struggling enormously, and in significant part, their profits are coming from the larger, heavier vehicles, where they can have a higher profit, but that also consume a lot more energy. That's one of the important reasons to put in place a manufacturer's tax credit that would incentivize them to produce vehicles that significantly reduce the reliance on petroleum. I think this would have an enormously positive impact on the automobile industry in the United States, not just because of that increasing of the fuel standards that we would incentivize for companies that actually produce those cars, but also Americans have an advantage in flexfuel technology right now. And in fact, Ford is exporting flexfuel vehicles to Brazil because they have the ability to make them here, and Brazil has used flexfuel ethanol technology to reduce its dependence on oil. So this, I believe, would have a very positive impact on the automobile industry in the United States.

MR. SALANT: Would you favor an increase in the federal gas tax?

GOV. PATAKI: That's a real hard one. The answer is simple -- no. I don't think that is the way to go.

What we're trying to do here is create incentives, and -- incentives for the consumer, incentives for the manufacturer, for the distribution system and for the production of fuel. I don't think that raising gas taxes is going to do anything but further hurt the economy of America.

You know, think about it today. A family that works for a living pulls up at the gasoline station, and in parts of New York, they're paying almost three and a half dollars a gallon for gas. That has an enormous negative impact on a family's budget. To try to put taxes on top of that just

compounds the problem for that family. This is a way where we could lower the cost at the pump by creating competition and having these alternative fuels.

MR. SALANT: Switching gears, can a moderate Republican, especially one who supports abortion rights, win your party's presidential nomination?

GOV. PATAKI: I'm not a political consultant, and I don't intend to pontificate as to what might happen politically in either party going forward. But I think what we do need to have is a better sense of a common vision for our country, an idea that we have far more in common as Americans than what divides us over issues that at times seem to be the most important thing in the world.

But when you think about the fact that we are engaged in a war, we are fighting literally for the survival of freedom in parts of the country, we overly dependent in sending a billion dollars a day, often to unfriendly regimes like Venezuela, I think a common vision as to how we could approach and address and solve those problems is what Americans want to hear. So as we go forward, I would hope that that becomes a part of the national debate, that common vision as to how we overcome the problems this country faces.

MR. SALANT: Why hasn't your party been able to recruit a stronger candidate to run against Hillary Clinton, and do you think that that will make her more formidable in 2008?

GOV. PATAKI: I think we do have a good candidate against -- we have actually two of them running in a primary, the former of mayor of one of our largest cities and an official who served in the Reagan administration.

It's not an easy task. New York State is a state that has 2 million more Democrats than Republicans, but I'm a great believer, as you pointed out, in 1994, that regardless of the status nationally of a particular figure, if you go out there and make the case, you can win the race. And that's what we're going to continue to try to do for the Republican candidate in New York State.

MR. SALANT: Why didn't you run? (Laughter.)

GOV. PATAKI: I'm the governor of New York. (Laughter.) It is a very important job, and it's a job that I've felt very privileged to have had over the course of the last 11 and a half years. And while I'm not running for reelection this November, I do want every day, from now until January 1st, to continue to advance the policies and take the action that will make New York even stronger.

MR. SALANT: If a Democratic tsunami sweeps away a number of House Republicans in New York State this fall, do you think the Republican Party will hold you responsible for it?

GOV. PATAKI: Well, that's a very fair question. First of all -- (laughter) -- first of all, who says it's going to be Democratic tsunami? You know, there are a lot of challenges out there for our country and for our party, but I believe if we advance the ideas and take the right action, that we can have great victories not just in New York, but across the country. And of course, if there's a

national trend, there's a national trend, but I am a great believer that the way you win is not because you had the structure, you had this person, you had someone else behind you; it's because you go out there and do the work. You go out there and shake the hands, talk to the people, outline your vision, make the case why what you want to do is going to improve their lives, and you win the race.

So you know, there are always those looking to point blame or point a finger here or lay the blame on someone else. That's part of the problem when we're not looking forward at solving issues and solving problems and standing together. So let's look forward, let's work hard to have victories from my party this November, and let the candidates do the best to advance their ideas and issues.

MR. SALANT: What do you think most has to be done for your party to win in November?

GOV. PATAKI: I think we have to continue to have policies that the average American can relate to. Think about where we are today. You know, it's August of an election year, and here in Washington that's what everybody talks about are the elections, but I don't think that's what the American family is talking about. The American family is talking about the fact that we're in war, and we have brave young Americans, the finest people I have ever met, in countries like Iraq and Afghanistan dying in defense of freedom.

The average American family is thinking what's going to happen when they pay \$3.25 or in some places 50 cents for a gallon of gas, and they need it to get to work or to take their kids to school.

And there's concern now with the emergence of China and India and other countries as a global force in our economy about whether or not our children 10 years from now, 20 years from now are going to have the same economic opportunities and the same confidence their life is going to be better than our lives have been. Those are the issues that are -- the American family is thinking about.

And what we have to do between now and November is just continue to have policies that are going to strengthen our economy, that are going to allow the American people to have confidence that we're not going to be dependent on places like Iran and Venezuela for the price of gasoline at the fuel pump.

And we have to have the commitment to make sure we win the war on terror so that the people of America are never attacked again.

Now, think about -- you mentioned earlier that you're going to have the heads of the September 11th commission here for the 5th anniversary commemoration. Think about what happened then, and the fact that America was vulnerable in a way we had never seen before to those who detest the freedoms that we cherish and take for granted. Since that time, because we have been proactive in going after those who would attack us again, we haven't been subjected to another attack. They've been attacked in London, they've been attacked in Madrid, they've been attacked in Turkey, they've been attacked in Morocco, they've been attacked in Bali. And you saw just a

week or two ago where there was the attack in India, in Mumbai. We have to continue to be aggressive to go after those who would seek to regroup and attack us again.

So there's a broad agenda of things that need to be done, and not just so that people can win an election in November, but so that we can have confidence in a stronger future for the people of America and for this great country.

MR. SALANT: Speaking of 9/11, the 9/11 commission report, could you please give us -- give them a letter grade and explain your opinion of that report.

GOV. PATAKI: Well, I think when all of us looked at what happened on September 11th, we understand that there was a tremendous failing on the part of intelligence. And to me, what is hard to understand is that September 11th, no one predicted, no one anticipated. But think of what had happened in the decade before. The World Trade Center Towers were attacked and bombed, yes on September 11th, but also eight years earlier in 1993. We had our embassies in East Africa blown up by Islamic terrorists. We had Khobar Towers blown up by Islamic terrorists. And in 2000, we had the USS Cole blown up by Islamic terrorists. And yes, there may have been a failure of intelligence, but I think there was also a failure of responding to a clear and present danger that the United States faced when you saw that history of attacks.

So they have recommended changes in how our intelligence system functions. A number of those changes have been put in place. But I don't think there's a person in Washington who would say we have the perfect system. And what we have to continue to do is make sure that we have the best and most efficient ability to gather intelligence and, of course, to protect our freedom.

And out of September 11th came the entire Office of Homeland Security. And I can tell you that while there are a lot of imperfections, and particularly with the funding formula, where we think symbolic areas and important areas of America, like New York City, like Washington, should be allocated significantly more funding because it should be based on a threat-based analysis, while we need to dramatically improve some of these elements, including that element of our homeland security effort, we've made significant strides since September 11th of 2001. There's a lot longer to go, there's much more to do, but I'm confident if we work together we can get it done.

MR. SALANT: Why is the funding formula skewed against places like New York and Washington?

GOV. PATAKI: I can't answer that question. Someone here in Washington would have to answer it. But I know you need a balance. Our food supply is critical, and we want to make sure that we have the security to make sure that major facilities that allow us to feed ourselves are protected.

We also have to protect the transportation and energy infrastructure across the country.

But we also know that certain parts of America are symbols of our country. On September 11th, I don't think it was New York that was attacked. It was America that was attacked, and the World Trade Center towers were attacked because it was a symbol of the strength of our country, a symbol of our freedom, so that Congress and the administration must recognize that when it comes to allocating those funds, whether it's Washington, New York City or other very important parts of our country, they should get additional funding.

MR. SALANT: New York City transit workers protested outside the Press Club today saying they've been without a contract since December. They say you torpedoed a tentative agreement. How do you respond?

GOV. PATAKI: Well, first, it was nice to have them here making me feel at home. (Laughter.) I came to Washington and I had pickets. It reminded me of New York. I felt like I was back there.

But let me say a little bit seriously about the TWU. We have a law in New York State that bars public employees from striking. It's been a law that's been on the books for decades with bipartisan support, because you can just imagine what would happen if the police officers go out on strike, if the firefighters go out on strike, or if the transit workers go out on strike. What they did during the course of the contract negotiations was deliberately flaunt and ignore that law. They broke the law and engaged in an illegal labor act. They clearly sent a signal to New Yorkers that they didn't care, that the law was irrelevant to them, and they virtually said exactly that. The courts came down on them and came down on them very hard with fines and in fact jail term for the head of that union.

What we have to do is have employees, employers, everyone work together, respect the law and have fair contracts that reflect the work that the workers do.

But in this case, there's no question, if you look at the history of what happened here, when you break the law, you can't be pointing the finger at someone else. You should be looking in the mirror because they're the ones responsible for the actions that they took.

HECKLER: (Off mike.)

MR. SALANT: Since the tragic deaths of 20 New Yorkers as a result of the recent power outages in Queens, are there plans to replace or improve the infrastructure in New York's energy delivery system?

GOV. PATAKI: I hope you heard the question, and I think it's a very important question because we did over the course --

HECKLER: (Off mike.)

GOV. PATAKI: You know, it's one thing to --

HECKLER: (Off mike.) Don't touch me. Don't touch me! I said don't touch me. You're responsible for the strike in New York -- (off mike) --

GOV. PATAKI: You know --

HECKLER: (Off mike) -- so don't -- (inaudible)!

GOV. PATAKI: (Chuckles.) I think what you just saw --

HECKLER: (Off mike) --

GOV. PATAKI: -- I think what you just saw made the point that I was trying to make. You have to obey the law, and one of the cornerstones of our country is freedom of speech. And we have rules so that like -- forums like this when the press is here, you can engage in that dialogue and engage in that speech. So to me, it's quite clear that we need to uphold those laws and to hold people accountable when they break them.

Jonathan, you asked the question about the power outages in Queens and the upgrading of the Con Ed system.

Let me reflect back a little bit. We had in New York record temperatures, in the hundreds, and as is generally the case when that happens, we shattered the record for energy consumption in New York City, on Long Island and across the state.

Five years ago, 10 years ago, we wouldn't have had the power to get into the system. We would have had to have rolling brownouts or blackouts. But because of the actions we've taken over those last five years, even at the peak demand that shattered the records, we had significant additional power, and on Long Island we were actually exporting power to Connecticut because we had upgraded the generating system in New York significantly.

The problem lies with the distribution. And the utilities are charged with having the cables and the networks to make sure that they get the energy from the producers to the home, to the consumer.

That is an outdated system. We are pushing our utilities to make the capital investment they need to make to upgrade their systems.

But as we look to the future, I just want to comment on one other thing, because, you know, I outlined a number of new technologies and incentives to change the way we rely on foreign oil way too much. There are other exciting new developments out there, and another one is happening right in New York state.

A week ago, I turned on the cable, which was the first time in the history of the world where a new type of transmission cable, high- temperature superconductivity, is a part of the grid anywhere in the world. That was in Albany, New York. And that new type of cable is not only capable of carrying four to five times as much energy in the same space; instead of the current technology that uses fuel, that uses oil, and when it gets very hot, that oil can break down or actually catch on fire, it uses a new generation of cooling with liquid nitrogen that doesn't have those risks. It's experimental at this point.

But what I believe is going to happen in the near future is that we are going to see the older oil-based cables replaced by these superconductivity cables, and not only will we have a far more efficient way to distribute power to the consumer across our state and across our country; it dramatically reduces the need to produce energy. It would save about 5 percent of the energy between what is generated at the plant and what ends up at the plug in your home.

MR. SALANT: Before we ask the last question, I'd like to present you with the official National Press Club coffee mug. (Laughter, applause.)

It would be suitable for drinking a nice beverage on your trips to the Iowa cornfields. (Laughter.)

GOV. PATAKI: (Chuckles.) Do you -- it's empty. (Chuckles.)

MR. SALANT: And a certificate of appreciation. Thank you very much.

GOV. PATAKI: Thank you. Thank you. (Applause.)

MR. SALANT: Looking back, what bills would you have liked to sign into law but couldn't?

What do you feel you left unfinished in New York State?

GOV. PATAKI: In 30 seconds or less, right?

Now, let me -- looking back, I have to say that I feel extremely good about where New York is today compared to where we were 11-1/2 years ago. Sure there are things we still want to do, and I believe we can do, like expand the charter schools in New York state. I haven't gotten that through the legislature yet this year, but I hope we can do it before January 1st.

But if you look across the board, we've gone from being the most dangerous state in America by changing the criminal justice system from top to bottom, to where we are now the safest large state in America, and the safest we've been since they kept records in the '60s.

We've gone from being dead last in our finances, having the lowest credit rating in America, to having surpluses, tax cuts of \$140 billion cumulative over the time, 650,000 more private sector jobs, and our highest credit rating in 30 years.

And perhaps one of the things I'm most proud of is when I took office, in New York state, one in 11 of every single New Yorker was on welfare -- not one in 11 of the poor or New York City residents, one in 11 of every man, woman and child from the tip of Long Island to the shores of Lake Erie was trapped in dependency on government and welfare. We changed that system from top to bottom, created more jobs by cutting taxes and empowering the private sector, put in place more day care slots and job-training programs. And today we have 1,040,000 fewer people on welfare than we did back in 1995. There's more to do. I'm going to do more between now and January 1st. But we've come a long way from where we were back in 1995.

Thank you all very much. (Applause.)

MR. SALANT: I'd like to thank everyone for coming today. I'd also like to thank National Press Club Staff members: John Bloom, David King, Jo Anne Booze, Melinda Cooke, and Howard Rothman for organizing today's lunch.

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We're adjourned.

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