

Dealing with energy costs: less politicking, more sense

By Erick Ajax

Article Last Updated: 05/24/2008 04:42:02 PM CDT

The relentless run-up in energy prices is hitting all our wallets much harder this year when we fill our car with gas, pay our home electricity bill and shop for food and other essentials. As a small manufacturer in Minnesota, I also see first-hand the devastating impact of soaring energy costs on my company's ability to grow and create jobs.

My company employs 50 people who make steel hinges and other metal parts sold worldwide. U.S. manufacturers and our employees are disproportionately affected by soaring energy prices because our sector consumes roughly one-third of America's energy supplies. During the past year, my company's energy and transportation costs have risen by nearly 20 percent, leaving fewer dollars for research and investment, training and job creation.

We must get energy costs under control.

Unfortunately, in the heat of political campaigns, what we are getting is political posturing and bizarre legislative proposals which, if enacted, can only serve to make our energy situation even worse. How else can one explain serious proposals by candidates on the stump to address the energy crisis by imposing punitive taxes on energy companies? While this might raise revenue for the government, it can only lead to less investment in energy, hence less energy supply and higher prices.

The major federal climate change proposal in

Congress, sponsored by U.S. Sens. Joe Lieberman, I-Conn., and John Warner, R-Va., is another example of how our elected leaders continue to miss the point. Every analysis of that legislation makes clear that, if enacted, it will hike energy prices, depress economic growth and destroy millions of jobs. Is that really what we need right now — higher energy prices?

According to a recent analysis of the Lieberman-Warner bill by the National Association of Manufacturers and the American Council for Capital Formation, gasoline prices in Minnesota will increase by up to 67 percent and Minnesota residential electricity prices will increase by up to 39 percent by 2020. Minnesota residents and businesses would pay up to 38 percent more for their natural gas by 2020. Clearly, this is no way to get a handle on rising energy costs.

In return for higher energy costs, the environmental benefits of climate change proposals are unknown, at best. Some of the world's biggest producers of emissions — India and China — are not participating in any reduction programs. In fact, China recently passed the United States as the world's largest emitter of greenhouse gases. We all agree that we need to reduce the cost of energy and control our emissions of greenhouse gases, but new domestic taxes and regulations will unfairly penalize U.S. businesses and consumers while our competitors get a free ride.

Our lawmakers in Minnesota and Washington need to look at the big picture for the little guy and our employees and not just about their political futures. They need to be smart and carefully consider all of the unintended economic and social consequences that a climate change bill may have on Minnesota's 340,000 manufacturing employees — especially as our economy teeters on the brink of recession.

Advertisement

TwinCities.com

(800) 678-7737

13-wk introductory offer of
33% discount for new subscribers.



Print Powered By  FormatDynamics™

TwinCities.com

Energy costs impact the price of the steel used by my plant and my customers. The cost of fuel to transport crucial steelmaking ingredients such as iron ore, coking coal and scrap steel to mills and finished steel to our plants has skyrocketed in the past six months. In today's highly competitive environment, we just can't pass these increased costs to our customers. Something's got to give, and the last thing we need is higher energy costs resulting from a well-intentioned but misguided climate change proposal.

My chief concern is for the five new employees I hired this year. They could easily be knocked off their career ladders by an economic downturn triggered by higher energy costs. A year ago, all five were low-skill/low-wage workers. Now, they are earning family-sustaining wages of \$13 to \$14 per hour, attending classes at our local technical college with 100 percent tuition reimbursement from my company, and are enrolled in our four-year apprenticeship program. When they become journey workers in my plant, they will have the opportunity to earn \$20 per hour or more plus generous benefits.

What we need right now is less political rhetoric and more sensible policy-making if we want to bring energy prices under control. This is the only sure way to keep businesses and the economy growing in Minnesota and across America.

Erick Ajax is vice president and co-owner of E.J. Ajax and Sons in Fridley.

Advertisement

TwinCities.com

(800) 678-7737

13-wk introductory offer of
33% discount for new subscribers.



Print Powered By  FormatDynamics™