

Center for Strategic and International Studies

TRANSCRIPT
The Reopening

**Former EPA Director Bill Reilly on the Post-Covid
Renewal of American Cities**

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Andrew Schwartz: You're listening to The Reopening. The podcast that asks, "How will America work through the COVID-19 pandemic? How will we innovate, and how will it change our global economy?" Each week we invite top business leaders to share their insights on the road to economic revival here at home, and around the world.

Scott Miller: Today, our guest is William Reilly. Bill served four American presidents in various roles, including Environmental Protection Agency administrator. Bill was president of the Conservation Foundation for 15 years and then a senior advisor to TGB Capital, an international investment partnership. We'll talk with Bill about the evolution of cities, about new approaches to work, and how what we've learned from the pandemic will shape our approach to the future.

Andrew Schwartz: I'm Andrew Schwartz.

Scott Miller: And I'm Scott Miller.

Andrew Schwartz: And this is The Reopening.

Scott Miller: Bill Reilly, it's great pleasure to talk with you. You're the closest thing to a renaissance man that we'll ever have on this program, but we really admire the range of your activities over the years and your wisdom on a variety of subjects. You've been observing how working from home has changed the attitudes of organizations and what implications that might have. And that'd be a great place to start our conversation.

Bill Reilly: Well, I started life as a land use lawyer, very interested in the organization of cities and space and design and so forth. And one of the extraordinary consequences of so many people working at home is that first of all, the people themselves have grown rather to like, according to most polling data, the possibility of just getting up in the morning and continuing to work in their pajamas or whatever. And doing the same job they would have done with all of the connections we have today, because of technology and that has a largely satisfied community, as far as I'm aware. The big surprise is that CEOs have always been wary of people working unsupervised at home and unorganized, other than on the internet, have come to like it. They have come to believe that, first of all, efficiency has not fallen off, productivity is holding up, and to their own astonishment, and this is attested to by the head of Accenture, and FedEx, and number of other companies, CEOs are coming to think that this could presage a change and how they organize office space, how they will very likely require significantly less, how commuting patterns will change. Possibly the automobile will be less, there will be fewer two car families, possibly. The kinds of things that we have come to take for granted and in some places in the world, like Paris, and Hidalgo, the mayor there has, has taken this message and quite significantly increase the space that is allocated to both pedestrians, sidewalks, but also to bicycles. I think we're going to have to look at office space and real estate as something that may well undergo a profound change in demand.

Scott Miller: Well that makes sense. Now clearly, my commute has gone from 30 minutes to 30 seconds. Which I find pretty pretty efficient, but you're right, we're seeing fewer cars

on the road. Now clearly, that has implications for real estate in in both retail and commercial, obviously online sales your way up retails way down. So you have a real estate problem with bricks and mortar retail. You're foreshadowing one for commercial real estate. How does this play out, do you think?

Bill Reilly: Well, another implication is potentially for the automobile. We, who have worked on climate change for some years, have been disappointed that electrification of automobiles has been so slow. Something like three to four percent of cars manufactured last year were powered by electricity. If demand responds to the drop in commuting needs, there's a real question what will take up the slack. Will people be working in great much greater numbers at home? I suspect they will. But also, what's the consequence for mass transit, for public transportation? 400,000 people today use it in New York. The CDC has recommended against using it in the context of the current coronavirus threat. That's out there and if I were in the auto industry, I'd be quite concerned to see how that will play out. Now, there is an odd tension underway in the country. The culture of states and localities is, as far as I can read, quite friendly to things like renewable energy, these renewable portfolio standards in more than 35 states now have part on proportion of electrical energy to be wind or solar. On the other hand, the federal government is moving in the opposite direction. They have just issued regulations that essentially remove environmental considerations from infrastructure investment decisions. Well, that's quite consequential too, how much influence they can have to change the local planning response to current needs and demands of constituents remains to be seen. They can certainly have some influence on it and they have blocked offshore wind, for example, successfully on the East Coast.

Scott Miller: That's a classic federal state tension that will always be embedded.

Bill Reilly: You know, a number of countries have had a debate, that we appeared not to have had in any significant degree, as to whether or not the very large amount of compensation of people for their lost wages and income and businesses too, whether that would be accompanied by some requirements to become more sustainable. For example, the French have bailed out Air France, but they did it at a price. They exacted from Air France commitment on new routes, on allowing high speed rail to take over some intranational movement of people. And Germany has had that debate, they're having it still, it looks like it's going the other way, in the sense that the Germans are not getting out of coal any faster than they had previously intended by 2038. We didn't really have the debate. Our bailout for the airlines came without strings. Nevertheless, I think the airline industry also has to be aware that there is likely to be a moral dimension to travel, to unnecessary travel, to meetings, to conferences, to certainly even to board meetings. All of the board meetings I have had have surprised me in that they have been pretty efficient. They've allowed everyone to have a say. They're not as easy as congenial and perhaps one regulates oneself so as not to dominate too much recognizing that it's gotta be spread around. But if you already know the people you're on the board with, a zoom meeting works quite well.

Andrew Schwartz: Bill, this is Andrew. You mentioned Accenture and Julie Sweet at the beginning of your remarks. You know, Accenture has more than 500,000 employees worldwide

and before the pandemic, no more than 10% of them worked remotely on any given day. By the middle of March, nearly all of them were home and their chief technical officer just told The New York Times that the volume of video calls went up six fold, the audio calls tripled to 900 million minutes, and to put that in context he said that's over 1700 years of continuous audio. So we're really in for a major sea change here with this work from home. Do you think it's going to inspire the kind of innovation in other spaces that, you know, like in the environmental community, what kind of innovation is there going to be as a result of work from home?

Bill Reilly: Well, I think if you are part of an NGO, non-governmental organization, in the environmental world, the moral suasion to avoid what would it be, what is this deemed unnecessary travel, is going to be enormous. There is a moral dimension, now to some of these issues that there didn't used to be. There's a moral dimension with respect to oil and gas accumulation of reserves. When the Pope spoke to the CEOs of all of the major oil companies in the Vatican, he drew attention to the fact that most of the reserves that are already in stock identified and owned can never be burned consistent with meeting our Paris objectives of keeping the temperature at two degrees or less. Well the market has not yet begun to respond to that, but I certainly know some CEOs of the oil industry who are very sensitive to it. And they are between a rock and a hard place in the sense that analysts rate companies, their values for shares, according to their accumulation of reserves each year. But if you can't burn them, where's that going? And when will the market begin to agree with the Pope, and consider that, well, if we really believe in Paris, we've got to rein in this accumulation.

Andrew Schwartz: You mentioned mass transit. So less people are going to be taking mass transit because of fear of coronavirus in the short term. But do you see a return to mass transit, you know, where everybody's talking about how clean the subway in New York is, through ultraviolet, through deep cleaning, similar mass transit systems and other cities. Do you think that that's going to cut it? Or does there need to be something else that happens?

Bill Reilly: Well, if there is a significant reduction in commuters, that's going to affect mass transit, their revenues and their stability financially. I, myself, believe that the efficiencies of mass transit, especially in large dense environments like New York City and San Francisco and other SEC [ph] places will give them a robust demand that they continue to respond to. The pressure to improve the safety, the cleanliness, the pleasure in traveling, all of that to the degree that the mass transit responds to it, I think will give them another lease on life. So I don't worry about the fact that if there are 400,000 people a day who traditionally use mass transit in the New York area, which there are, I don't know where those numbers will go. But it's still going to be a very big city with a lot of reason to move around. And there's a role for mass transit there.

Scott Miller: You've mentioned the new higher standards and everyone we've talked to on this program who talks about travel, tourism, a hotel space, air airlines, wherever they are, they all seem to appreciate the fact that consumer has raised the table stakes for cleanliness and hygiene. There's a base expectation that is higher now than it was before this. What do you think the implications of that might be?

Bill Reilly: I think that we have all become so sensitive to cleanliness and to sanitation and things of that sort, and I see nothing but good from that. I have been associated as a board member of the second largest cruise line in the world, Royal Caribbean cruise lines and the kind of testing that we are hoping to have will be much faster than the traditional testing, which is taking a couple of days to get a report back, but also we'll test for things like norovirus, so that the possibility is that if you're on a cruise far from being on a hospital ship, you will be among in in the safest environment that could be designed because everybody will have been tested as part of their embarkation. I think there's going to be a debate and it will take place largely at the local level about, if I'm correct, that there will be less demand for office space. There may also be less demand for hotel, for travel, that could go with the discouragement of travel. We have in San Francisco, a severe homeless problem. The homeless have been accommodated in hotels, which essentially are rented by the city. And the homeless are very happy that, one report the other day of a woman with her 14-year-old son had never, never lived so well, had a bathroom nearby, things of that sort. And that's quite satisfying to the hotel operators, because otherwise they'd be empty.

Scott Miller: They had no customers, right.

Bill Reilly: And then you've got the reallocation of office space, we have this shortage of housing in California, which is the reason really for our homelessness problem. Well, what about adapting some of those buildings to habitation, to housing, to apartments? That's a possibility. And it's a very exciting possibility of reconsidering the organization of space, the use, the allocation for the automobile. Our cities could be different places, they could be greener and more congenial, quieter, and I think more pleasant and more just really, when you think about taking care, possibly, of the of the homeless.

Andrew Schwartz: And do you think people will be moving further out because they're able to telework?

Bill Reilly: Well, if, if I'm right that we're going to have a reallocation of space within the cities, I think a lot of people might see the cost of housing come down somewhat if there's an increase in supply in the cities. Cities are a great place to live. I mean, I've lived in them all my life, and there are just so many conveniences, so many opportunities, serendipity is an encouragement to so much creativity and invention, innovation. And face-to-face meetings are never going to lose their capacity to change people and to contribute to their lives. But I do believe that if you are no longer going into the office five days, maybe you're going in on one day, all of a sudden, you can look at a farther out destination and think, well, I'll drive two hours if it's just to come in on Friday or Thursday. So yes, I think it could lead to the possibility that people who want to reduce their housing costs, maybe improve the schools that that their kids use, go farther out into the suburbs and the excerpts.

Andrew Schwartz: Now I gotta ask you about cruise lines because you're something of an expert on cruise lines, you just mentioned you're associated with Royal Caribbean. The conventional wisdom that I keep hearing is nobody's ever going to go on a cruise

again because they're nervous about getting sick. And then there's people who are concerned about the environmental impacts of cruises and so on and so forth.

What's the reality of the cruise situation right now as you see it?

Bill: It's very interesting that the would-be passengers are booking trips for next spring.

Reilly: Right now, quite large numbers.

Andrew: Right now?

Schwartz:

Bill: Right now. There was a sense that when all of this began, and there was so much publicity of the ship in Japan and so forth, that it might be a different business when it opens up again, and it may be in some respects. They may favorite shorter cruises, cruises to places where they can have a controlled environment in a resort like setting, but the Royal Caribbean offered to refund everybody's money who had paid for travel that they weren't going to get, cruises that were now cancelled, or to give them 25% premium toward the purchase of a new cruise. And we expected that there'd be something like a quarter of the people who might take us up on the offer of the premium. Turned out about 70% did.

Andrew: 70 percent?

Schwartz:

Bill: Yes. It was a good measure of the continuing confidence of the traveling public, the cruise-taking public, in the survival of the enterprise and the appeal of the enterprise. So I wouldn't be so sure that that the business is going to be as impaired as originally many of us had felt.

Scott: That is just amazing. I mean, now I'm not a cruise maven myself, but I had expected
Miller: cruises to be the last to recover, just because of the conditions going in, but this is, that seems quite encouraging.

Bill: Well, there are people who say "never again." That's true. But this statistic is very
Reilly: encouraging to the future of the business.

Scott: Bill, if I could ask you about the, sort of, the developing world and their experience
Miller: with coming out of the pandemic. I've been curious because you look at the whole world and we all know that that improvements to the environment are demanded. The wealthier your society, the more demand there is and the more expectation there is for a cleaner environment. And one of the concerns is that the developing countries are being hit hard and will wind up in deeper poverty than they were in before. And poverty is very bad for the environment, or has been over time, in terms of use of resources. What's your view of this? How do you see the recovery outside the industrial economy?

Bill: I want to be careful not to be too critical of some of the developing countries,
Reilly: because Lord knows the United States did not manage this well in terms of adequacy of testing, contact tracing, and responses. But if you look at places like Mexico and Brazil, particularly, they didn't have any kind of transparency in the numbers. They really suppressed the information of how extensive and they are doing it today, as far as I understand. Their hospitals have not geared up to manage the problem. And I think that people will suffer longer and harder than most others. India is a particularly egregious case where everybody was shut in for a period, a very strict lockdown kind of approach, and it had very important consequences for economics

and for suffering people. I think it's going to be an even longer time for those cultures, those countries to overcome, to flatten the curve, to deal with their problem, improve their public health system. And that's really what it comes down to. We learned with the Ebola crisis that the African countries which had robust public health systems came through it very well. They really did and turned corner on it and managed it and kept it from growing out of control. That was not true in the countries which had not paid much attention to their public health. So I think at a minimum, we're going to see and I hope the United States and the developed world will help countries improve those systems and begin to take the measures that really should have been taken before now, but now have a priority they've never had.

Andrew Schwartz: Do you think conservation is going to change in the United States? Do you think the energy business in the United States is going to change? And if so, how do you see it changing?

Bill Reilly: The energy business is going to have to change over time and I think it already is. I have a farm in Illinois, and I've been contacted by a solar company who wants to take 20 or 30 acres for a solar array. And the reason for that is the Illinois has a requirement that 20% or more of electrical energy in the state be supplied by wind and solar. Well 35 or more states have those rules. So you're going to continue to see an evolution toward renewables, together with the fact that very unlike most of the time I've been advocating for this, the renewables are now competitive. They're competitive, even with natural gas, and that's a fundamental change in the market. And it's been the market that has driven out coal, it's not been so much the environmentalist. The coal just couldn't compete with natural gas, which is less expensive, cleaner, and more desirable in many ways. I think you'll continue to see renewables take more of the market. The administration has made very clear that if there's a second term for President Trump, they will work against more renewables and try to protect coal and fossil fuels. But I'm not sure that, they haven't had much luck in the first term least with encouraging coal against the market. And I think that probably will be true in the second term as well. We also have to look to the source of about a third of our greenhouse gases, CO₂, which are automobiles, and hope that the that the industry begins to increase the manufacture of electric vehicles. And that the utility industry begins to build the charging stations necessary to support that economy. And that'll be a slower transition because it takes quite a while, 11 to 13 years or so for the car fleet to completely turn over, but I believe, I hope that that happens.

Andrew Schwartz: Do you see less people driving?

Bill Reilly: Well, certainly if you look at the commuter patterns in the major driving times in the morning and all of the periods when we have the fast lanes in California, New York, Illinois, everywhere, where the big cities are. I think there'll be a significant reduction in the number of people who have to do that, to get to office space to do their jobs. So the answer is, I do believe they'll be less driving. I don't know that it will affect personal travel, leisure travel. I think it's a big country. It's a very interesting country. There's so many parts of it that we all want to see. And national parks are a huge draw. I think that the leisure market will continue. It might be a

more commonly served market by automobiles, than by airplanes. I know my daughter is about to come visit us, stay with us for a while, with her three children and her husband and they're going to drive from New York to California.

Andrew
Schwartz: Wow, talk about on the road.

Bill
Reilly: Yes, to avoid flying. They've read the stories that the airlines are not enforcing the mask and the other kinds of spacing rules. And how could they? They're in such a confined space. I don't know how long that will last. I don't think it'll last forever. But in the near term, I suspect it will diminish air travel.

Scott
Miller: I think you're right, at least at this this summer, what I'm reading is, first of all, there's a there's a big boost in RV sale. So recreational vehicles are quite popular again. Mostly because of the love of travel, but low fuel prices sell a lot of RVs. The low demand has created low fuel prices. So I think this summer is probably the summer of the road trip, but a year or two from now, we'll be at a new normal

Bill
Reilly: Funny you mentioned that. The way my daughter is getting to California. They've rented an RV. It was very difficult to find one. They found one in Chicago. They're driving from Brooklyn to Chicago in a big van which they're renting, and then they will take the RV and come the rest of the way to California.

Scott
Miller: It's not called the Family Truckster, by any chance? Because there was a movie about this.

Andrew
Schwartz: Yeah, Vacation. Chevy Chase. That's right. Well, I guess, you know, one final question I want to ask you, and we've been sort of dancing around this, is that a lot of people think that the coronavirus, you know, has helped the Earth cool down because we're not flying as much, we're not traveling as much, not driving as much, emissions seem to be down. Do you think that that's going to give us momentum for a cleaner Earth going forward? And governments paying more attention, going back to the Paris Accords? The United States, looking at this more thoroughly in terms of really cleaning up our own environment.

Bill
Reilly: I very much hope that it will. You know, I recall the stories of Germany after World War II, considering whether it would remake its cities, whether it would take advantage of the fact that they'd basically been leveled, to reimagine them. After some considerable reflection on that they chose not to. The reason they didn't was all of the underground infrastructure was in place, the sanitation, water, a lot of the electrical conduits. The question is whether we want to reimagine our cities now. We can do it. We know that the emissions have gone down very considerably. I think it's something like eight percent. We also know that mainstream science says that they have to go down about seven percent per year for 10 years in order to have any chance of meeting the Paris commitments. Well, we could engage in a much more intense conversation, ideally led by the president, in how we can continue to keep the emissions down. We know that the automobile fleet can be a major contributor to that, the automobile industry. We know that the electricity industry can, that we can preserve the role that carbon free power, particularly nuclear, which is being phased out in so many places has contributed There's a debate that we ought to have about the practical choices available to us that will not really be severe

inconveniences to people's lives. That's the thing that that is interesting here, if we had told everybody that they had to stay home for three out of four weeks, say, As a compulsion, it wouldn't have gone over very well. But in response to this disease and then the established reality that has worked pretty well, that part of it. You know, I think people might be disposed to rethink. To rethink cities, rethink the allocation to the automobile in cities, rethink the office space situation, whether some conversion to housing is in order and would be economically viable. Those things really deserve consideration and I hope very much that they get it.

Scott Miller: You know, that's such a positive view of what we're able to learn from crisis that applies to all of our lives and helps us make a better future. Thank you for giving us that perspective today, been a delighted to talk to you. We hope you'll come back on the program again.

Bill Reilly: Thank you. It's a great pleasure talking to you.

Andrew Schwartz: Thanks so much, Bill. We really appreciate it and we'll talk to you soon.

Andrew Schwartz: Thanks for listening to the Reopening. If you liked this episode, please write us a review and subscribe wherever you find your podcasts. You can also find other podcasts from the Center for Strategic and International Studies at csis.org/podcasts.