

## Corporate and State Image Making Intertwined?

The lead article in Volume I, Number 1 of *N.C. Insight* ("Oil: A Slippery Business," by Mercer Doty, Winter, 1978), criticized the state's entrance into the oil recycling business. Two years later, in May, 1980, the State Auditor released a report confirming many of the Center's criticisms. Then in July, 1980 Phillips Petroleum Company, from which the state purchased an oil recycling plant, announced that it would be featuring the North Carolina facility in its national advertising campaign this fall. Despite the Center's investigations in 1978 and the Auditor's report that followed, the state's oil recycling plant may soon be symbolized as a successful joint venture between private enterprise and state government. The Phillips ads will focus on the company's public service record, according to the company's announcement. But in doing so Phillips may be building its corporate reputation on a North Carolina venture that has so far proved to be more controversial than economical or innovative.

In 1977, on the recommendation of Gov. Hunt, the General Assembly authorized the governor, with the approval of the Advisory Budget Commission (ABC), to purchase an oil recycling plant from Phillips Petroleum Company. In August, 1977, after officials visited a Phillips recycling plant in Oklahoma, the ABC agreed to the purchase and the payment of \$1.3 million to Phillips Petroleum. The state planned to operate an oil re-refining facility developed and built by Phillips to process used motor oil and other lubricants for re-use in government vehicles. Gov. Hunt hailed the purchase of a "unique oil recycling plant that will save the state money as well as fuel." But even three years later, the plant had not begun operation; after delays in site location, it was scheduled to go on line in September, 1980.

And many questions raised by the Center and the State Auditor have never been answered.

The Center's investigation (which was reported in several *N.C. Insight* issues) and the State Auditor's report addressed some troublesome questions in near-identical language.

### Center (1978)

### State Auditor (1980)

#### 1. *Are alternatives cheaper?*

"...at least two other alternatives may be feasible at less cost. These alternatives have not been adequately studied."

"During our review we found no evidence that detailed studies on alternative methods or substitutes for used oil were performed."

#### 2. *Will the new state plant create undesirable competition for waste oil?*

"If the state competes with its own businessmen for waste oil the price will almost certainly go up..."

"We believe the (state's) feasibility study should have addressed the issue of competition with the private sector."

"For years the Department of Transportation has been 'recycling' large quantities of waste oil in its asphalt plants...Now, however, the department is being pressured to contribute its waste oil to the new recycling program, even though doing so would...put a \$78,000 dent in its budget."

"D.O.T. currently burns some of their used oil at asphalt plants and to heat garages. We believe it would be inefficient for D.O.T. to forego this annual savings unless participation in the (state's oil recycling) project would produce a larger savings to D.O.T."

### 3. Will warranties be jeopardized?

"...the use of substandard oil could result in actions by automobile manufacturers to void the warranties on the thousands of vehicles purchased each year by state and local governments."

"One area of concern involves the effect of using recycled oil on engine warranties. To our knowledge no official contact had been made with automobile manufacturers at the time of our audit..."

Serious reservations about this program were voiced by the Center at the outset and by the State Auditor almost three years later. The Center reported that the recycled oil from the Phillips process had neither been tested by an independent laboratory nor subjected to public scrutiny. The Auditor found that the state might operate the plant at only 25 percent capacity and that it was two years behind schedule because it didn't secure an adequate site by the time Phillips was ready to ship the plant. The Auditor also concluded, "The state has paid for the plant (in 1979) and has not had the use of \$1.4 million...nor the use of the plant during this time."

The state has taken action on one of the Center's major criticisms, however. In late 1978, used motor oil from North Carolina was re-refined using the Phillips process and then submitted for testing to the Southwest Research Institute in San Antonio, Texas, an independent laboratory. According to the state's Department of Administration, the results were highly favorable and samples tested were the first re-refined oil to be approved by the U.S. government for military use.

But a number of unanswered questions remain, both from the Center's study and the State Auditor's investigation.

The technology Phillips has built into the plant may indeed exemplify the company's slogan, "Good things for cars and the people who drive them." But will Department of Administration officials—persons slated for possible appearances in the Phillips ads—cite any of the serious criticisms expressed both inside and outside state government about the project? That seems unlikely. Instead, state government officials may find themselves contributing to an advertising image that will not reflect favorably on themselves or on the state of North Carolina. □

## Letter to the Editor ...

It was encouraging to read the article "Alternatives to Incarceration," by Alan McGregor and Libby Lewis, that appeared in the Spring (1980) issue of *N.C. Insight*. We appreciate the emphasis upon a proper balance of community-based programs and prisons.

The article captured the slowly growing awareness of the need to de-emphasize the use of imprisonment by North Carolina. It is no accident that the rate of imprisonment in North Carolina is one of the highest in the Nation and in the World. Conversely, alternatives to imprisonment have been sorely neglected.

My personal experience and philosophy call for the greatest emphasis and reliance upon insuring healthy life experience for children and youth during the formative years of their personality and behavior development.

Secondly, early address of problems closest to home and community are next in order. This extends to prison alternatives such as in-school suspension, community service, fines, probation, restitution, community arbitration and special programming for the mentally retarded, alcoholic, and other handicapped persons.

Jails and prisons must be used when no other action is appropriate. Prisons could and should become the legal and humane security and helping places that they are intended to be.

Sincerely,  
Amos E. Reed  
Secretary  
North Carolina Department  
of Correction