



Digital image

Future shock: by 2012 motorists may be queuing to pay petrol prices that would make motoring a luxury.

Cheap petrol gone for good

AS Victorian families make the annual pilgrimage to the beach and back this holiday season, they will be stung from an unlikely source — the petrol pump. The traditional road trip to the coast has coincided with record high petrol prices.

The world price of crude oil exceeded the US\$100 barrier this week and this marks the beginning of pump prices over \$1.50 per litre across Melbourne.

In the largest oil consuming nation, the United States, they pay about \$1 per litre, due to a very low fuel tax.

Petrol tax in the US is political dynamite and Washington is careful not to anger powerful motoring lobbies and voters.

This has encouraged a culture of gas-guzzling cars and large driving distances, meaning they are especially exposed to petrol price spikes.

Put simply, Americans are living in a fool's paradise if they think they will have it this good in coming years.

In the future, super high fuel prices will quickly erode the illusion of affordable petrol.

Australians, too, pay much less for petrol than most OECD countries.

This means that when the price of crude does skyrocket, it will go up proportionally much faster in low fuel tax countries such as the US.

The evidence suggests a future price much closer to \$2.60, possibly as soon as 2012.

A wide variety of reasons have been offered to explain the new, triple-figure price.

Geopolitical tensions, commodity speculators and the falling US dollar have all been blamed for the rocketing cost.

While there is a degree of merit to each of the factors, they fail to identify the main influence on the surging oil price.

Fundamental oil supply concerns deserve significantly more attention than they are receiving.

Consider the following facts. The year in which oil discovery

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reached its peak was 1964. Since then, the world has discovered less and less oil each year, and from 1984 we have been consuming more oil than we find. This has led to the current situation in which we use four barrels of oil for every one discovered.

This ratio is getting worse. Many economists argue the rise in the price of crude will stimulate new discoveries.

Long-time industry insider and editor of *Petroleum Review*, Chris Skrebowski, argues nothing could be further from the truth.

"If anything, the opposite is true," he says.

These principles of supply and demand, adhered to by economists, may be true for commodities that can be produced by humans, like flat screen TVs, but it does not work so well for things developed over millions of years by geological processes rather than manufacturing ones.

This level of belief in the rules of supply and demand have permeated agencies that ought to know better.

In May 2006, while giving evidence to the Senate inquiry into Australia's oil supply, Brian Fisher, then head of the Australian Bureau of Agricultural and Resource Economics argued (in reference to oil production) that "if the price of eggs is high enough, even the roosters will start to lay".

Luckily, the Australian Government does not rely upon ABARE for avian reproduction science, but it does for oil price forecasts.

The growing gap between falling oil supply and rising demand means prices will keep rising dramatically.

It is concerning, therefore, how much Victorians rely on their cars for far more than the annual trip to Rosebud or Lorne.

With about 85 per cent of journeys to work made by motor vehicles, the pain at the pump will be devastating

to Victorian household budgets.

Outer suburban families in particular, with longer distances, fewer rail options and often less income, will be hardest hit.

These costs reverberate across the entire economy through the increased costs of transporting goods and materials. The only thing easier to fuel is inflation.

It would be sensible of the Government to plan in advance of crippling petrol prices and provide a greater range of transport options.

Decisions on major infrastructure investment, such as a new freeway or tunnel, are dependent on whether petrol will be 80c or \$2.60 per litre at their opening.

This is important information for decision-makers.

After all, there is little point spending the money on a new road if people cannot afford the fuel to travel on it regularly.

By integrating oil depletion realities into their planning, governments will be able to create the conditions that reduce the demand for oil-intensive lifestyles, especially the use of cars.

Encouraging high-density living around public transport nodes may help produce quieter, safer streets by replacing car journeys with less oil-dependent forms of transport.

Reforming our cities to reduce trip distance and integrating residential, retail and services will make it easier for people to travel by foot and bicycle.

A major investment in our public transport system will be required to help make rail an option in the middle and outer suburbs.

The evidence is now clear.

Higher prices at the pump are set to continue stinging Victorian motorists into 2008 and well beyond.

Reducing the need for oil through clever planning is essential.

The sooner we start, the less painful it will be.

Elliot Fishman is director of the Institute for Sensible Transport, an independent transport consultancy firm www.sensibletransport.org.au

Hamptons tour comes up Trumps

BARRY EVERINGHAM



THERE'S nothing quite like a New York summer — and there sure isn't anything like getting out of the Big Apple and taking off to the Hamptons.

It's the seaside haunt of the very, very rich and the very, very, very famous. It is the place to be.

Just to explain, modest beach houses at Southampton go for about \$5 million.

I know an Australian woman married to one of the very rich whose place is rumoured to be worth \$50 million.

I had just arrived to live in New York in the summer of 1997. It was hot. I'd found an apartment on the Upper East Side and was waiting for my wife to arrive.

The weekend Princess Diana died in Paris a cloud of grief was cast all over the world, but in New York it was palpable. And flaunted.

It's not as though many folk knew her, but all the rich and famous were claiming intimacy of varying degrees.

My summer holiday was the start of many things, including mixing with incredible wealth and celebrity, which in turn launched me on a TV career.

It lasted for about 15 minutes, a suitable timeframe of fame on the Andy Warhol scale.

A friend called and said to me if I wasn't doing anything that weekend to get a seat on "the Jitney" — the coach from NY to the Hamptons — and come and stay.

"There's a party at Marty Richards' house, which we can go to, and it should be fun."

Marty Richards? He's the Broadway impresario of *The Producers*, former husband of one of the Johnson and Johnson heiresses. Very rich, very famous and very lots of other things. I couldn't wait.

All the talk that night was of Diana.

At Marty's mansion — huge, tasteful, twice the size of the biggest house in Toorak — word got around that the Australian guy had met Diana.

Maybe that's why at lunch I was seated with Ricky and Kathy Hilton, parents of three boys and two girls, one of whom, of course, is Paris, named after one of her great-grandfather's hotels in the French capital.

Oh and not by the way, Ivana Trump was also at our table. She couldn't be missed. She was just — and only just — hanging out of her skimpy bikini top. No one was complaining.

Ricky winked at me and said: "Bet you guys don't grow 'em like that Down Under." Winking back, I replied: "Wanna bet?"

Paris was a mere child then, so conversation didn't revolve around her.

The main topics were Ivana, which she kept going, and Diana, and how sad her death was.

Ivana, as it turned out, holds a master's degree in physical education and skis like a dream. She had just had a stand-up blue with Marla Maples, Donald's then new girlfriend, on the slopes at Aspen.

By that weekend Ivana had got over her grief, helped by a \$20 million payout as part of the divorce settlement, which also included a house in Connecticut worth \$14 million. Plus a "housing allowance" of \$5 million.

The conversation was like the ones we have when visiting Sydney — all about money and names.

My friend knew a producer from NBC who was lamenting the lack of "talent" to talk about Diana's death and I was pointed out and introduced.

Modesty prevents me from saying what the NBC lady said, but the next night and many nights following, I was on MSNBC, which had a domino effect, as I was snapped up by CNN, Extra!, CNBC, Fox and Law TV.

The Law TV anchor was Johnnie Cochran, the celebrity lawyer who defended OJ Simpson and who subsequently became a mate.

Summer holiday fun? For something different try the Hamptons some time. You might enjoy it.

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