

Hon Annette King  
Minister of Transport  
Parliament Buildings  
PO Box 18-041  
Wellington

Cc Rt Hon Helen Clark, Hon Dr Michael Cullen

17<sup>th</sup> April 2008

Dear Minister King

### **Contingency Planning for Record Oil Prices**

We met briefly on the 1<sup>st</sup> May last year in your offices to discuss Auckland transport issues. I am writing to you out of a deep concern at the lack of any apparent contingency planning for rising oil prices. As I write, oil prices have topped \$US115 a barrel. This is a five-fold increase in four years.

Government oil price forecasts have spectacularly failed to predict this. As recently as two years ago, the Ministry of Economic Development was predicting a long term oil price of \$US60.

The knock-on effect of this is that Transit's demand forecasts for their motorway projects assume that the price of petrol will remain constant for the foreseeable future. This is clearly not the case. Transit's own traffic surveys and the declining revenue from fuel excise taxes are proof that people are driving less and that increased vehicle capacity is not required.

I have been studying oil markets and actively trading in them since 2001. I believe that oil prices will continue to rise for the foreseeable future, as oil producing nations struggle to supply their own and other countries' economies. I've published a number of articles on this, and also produced an oil production briefing paper which I sent to you last year.

To be blunt, my predictions have been far more accurate than that of your advisors.

With this in mind, does the Government have any contingency plan at all for even higher oil prices? I don't know if you consider higher oil prices this likely or not, but it seems odd that we have contingency plans for low probability earthquakes and tsunamis, and yet we don't have a plan to mitigate the impact of rising fuel prices. It would seem to be prudent and responsible to have some kind of plan, even if the reality does not eventuate.



For Auckland, I would go so far as to suggest the following scale of action:

<b>Oil Price</b>	<b>Possible Pump Price</b>	<b>Action</b>
\$US120	\$2.00/litre	Provide up front funding of Auckland's rail electrification project, rather than leave it totally reliant on the regional fuel tax which will be prone to declining revenues over the coming years.
\$US150	\$2.30/litre	Place all uncommitted motorway expansion projects on hold. This should include the Waterview tunnelling project. Divert funds into increasing the capacity of Auckland's public transport network.
\$US200	\$3.00/litre	Cease work on the second Manukau Harbour Crossing if possible. Convert any completed works to a public transport corridor. Increase investment in electricity generation and distribution.

Obviously the above scale is just my own suggestion of appropriate action at a few major price points, and again you might consider these prices unlikely to happen. But there must be some oil price levels where oil dependent projects have to be abandoned and actions similar to the above must be taken.

I look forward to hearing your response. I am also more than happy to meet you or your advisors again to discuss this personally.

Yours sincerely,

Cameron Pitches  
Convenor  
The Campaign for Better Transport Inc.  
PO Box 7763  
Wellesley Street  
Auckland  
Ph: 027 288 9313