

Oil Shock as Pandemic: Past Becomes the Present

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Mon, 02 Jun 2008 13:27 Bird flu has arrived in the guise of an oil shock. Or rather the impact of the oil shock currently underway could become like what a future bird flu pandemic might feel like, at least in some respects.

This is perhaps as yet not apparent at \$130 oil. But at \$150, never mind \$200, we might see radical changes.

The main impact of bird flu would be the risk of contamination, and how to avoid it. As discussed on previous occasions a year or two ago, this would probably invite a rather drastic change in personal movements, possibly for quite some while (weeks, even months).

There would be a decided preference to stay at home for as long as it would take for the epidemic to run its course. It suggests minimal interest to go out shopping, visiting friends, going to the ball game, going to school or congregating at the water cooler at work.

In the case of bird flu, contact with other people could carry a high risk of contamination, and possibly death.

Employers would face two risks. How to keep clients buying and taking delivery? And how to keep employees working?

Why could such problems also arise at high oil prices?

Americans are now paying about four dollars per US gallon petrol. That translates into about R7.00/litre. We are already well over R9/litre. Europeans are in the R19-R20 litre range. But then Europeans have had many years adjusting to such burdens, where the taxman takes two-thirds of the final sales receipt. They also have great public transport in the larger cities.

Our problem is the abrupt change in cost levels as our petrol price isn't shielded by a very large tax burden. And a much lesser public transport option.

When we then add the general squeeze on working and middle class incomes, in particular abruptly higher interest rates and food prices, the jump of going from R5/litre petrol to R15/litre and possibly higher in a very short time could lead to very drastic dislocations.

Some types of services (for instance banking) have already going electronic in a major way. The next push would go for faceless totality.

As to employees in their personal lives seeking savings opportunities, one could snack less, drink less, smoke less, phone less, see fewer movies, cancel a few subscriptions that aren't free, and make more such lifestyle changes. Including sharing commutes.

Abstinence is for the birds

But let's face it, abstinence is for the birds (well, when it is blustery, stormy, rainy).

Yet traveling in some 4x4s gets you only 7km to the liter. Your 30km-50km commute to work translates into as much as 9-14 liters of daily consumption purely to get to and from work, no frills. Times R5 gives you R45-R70 per day. But times three or four that gives you R150 to R300 daily. And then we still have to include the monthly driving other than commuting.

Scary stuff.

That, plus the daily congestion if you live and work in the wrong parts of town (include about three-quarters of all formal workers), and you are getting quite an incentive structure going here.

Employers are unlikely to be interested in forking out an extra average R3000 plus tax shield (so closer to R4000) MONTHLY for the average car-driving employee earning some R10 000 monthly.

I mean, go figure.

The employer nevertheless will still face key employees who simply need to be on board and be kept happy at all costs. That will already cost money.

And to prevent the remainder of the staff going AWOL, or at least their productivity to head south, something imaginative needs to be done, also because the direct cost of servicing clients will go up drastically in anything that requires close contact.

Technology seems to offer the obvious answer. Change habits of a lifetime. And share commutes, ride bus or train. And learn to walk again to anything within 15-30 minutes walking distance. Good for health, too.

All technology options will require close inspection, because employers wouldn't want to be saddled with other unexpected, new or hidden costs.

But not traveling, to the office or elsewhere, yet being connected, productive and manageable, are the keys.

Telecommunication technology is already far advanced and price-wise within reach. Also, we are already mostly experienced, especially in the services industries.

But not everyone is using the new technology anywhere near potential.

So this is the great chance for the big push.

Instead of replaying 1974, let's fast forward.

Want Sundays without driving? Petrol stations to be closed for half the day and all night? Maximum road speeds reduced to 80km/hour? Allowed to drive only on alternative weekdays, regulated by someone who originally worked at Eskom in the shedding department?

The past can again become your present

The past can again become your present. Or you could reduce all driving to a minimum. Walk whenever something is within 15 minutes of you. And otherwise do it over the phone, or electronically.

Travel would again become a luxury.

Until the fever breaks, oil demand declines, and oil prices come down heavily (even if such relief may not last for very long, given the state of the world driving oil demand and limiting supply expansion).

For those earning considerably less than R10 000 monthly, the complexity of what lies ahead is probably a lot starker than sketched here for 4x4 owners.

For the greater part of the population, food, taxi fares and heating fuel takes a large share of people's income. With these prices rising as fast as they are, and wages lagging, the needed adjustments are even more drastic.

The accompanying unhappiness could easily lead to another winter of discontent. It could inject yet more uncertainty into our prospects.

We don't need bird flu to upset our arrangements. Raging commodity inflation can do so just as easily.

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