The Oil Drum: Local
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NYC: Best Place for $100 oil? Maybe...

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[editor's note, by Yankee] In this post, peakguy analyzes NYC in relationship to the recent Sustainlane ranking for cities that are best prepared to handle a $100+ tank of gas. We invite commenters to take a look at the original survey and comment on how Sustainlane's criteria will play out in their own cities and towns.

Last week, Sustainlane ranked NYC the #1 place to live in an Oil Crisis:

> New York City is the city most prepared to cope with a $100+ tank of gas. With its strong city and regional public transportation system, New York stands out above the rest. From New York City's subways to the Tri State area's suburban train lines, New York is truly the only American city where people are committed to riding over driving.
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> "As the largest city in the country and the business capital of the world New York City must be prepared for what comes our way, and we are," said Mayor Michael R. Bloomberg. "That New York City has been recognized by SustainLane as the best prepared city to face a nation-wide oil crisis is testament to the resiliency and strength of our infrastructure."

It goes on to highlights many of the ways that cities can be redesigned to be less dependent on automobiles for everyday transportation needs. But I have to point out a few issues not included in their analysis.

Here is a description of SustainLane's analysis:

> SustainLane has looked at the largest 50 U.S. cities with this scenario in mind. We wanted to know which cities will be the best places to live and work if gas prices

> suddenly rise because of coming events out of anybody's control.SustainLane has ranked the largest 50 U.S. cities based on recent city commute practices, metro area public transportation, sprawl, traffic congestion, local food and wireless network access (in order of importance: see chart). There are many other areas that rising oil prices will affect: construction, retail goods of all types, utilities (especially in the Northeast, the one part of the nation where heating oil is used)—virtually every aspect of our economy will be hit. We looked at the areas most directly impacted: how people get around, where their food comes from, and how they work.
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While I agree the New York is probably a better place to live than the suburbs or exurbs ringing most cities, New York is a very special case for many reasons and will face it's own unique challenges. Local NYC residents may not directly feel the $100 tank of gas in their wallet at the pump, but they will feel it in many other ways.

One needs look no further than the recent comptroller's report to pick out a few of NYC's weaknesses in a high cost energy world:

> Continued strength on Wall Street has helped the City's economy gain momentum in 2005, although growth continues to lag the nation's. Real Gross City Product (GCP) grew 3.3 percent in 2005 compared with 2.4 percent in 2004. Yet GCP was slightly below the GDP growth rate of 3.5 percent. Factors contributing to the City's growth were a stronger job market, higher wages, Wall Street profits, and a surge in tourism. However, the inflation rate soared to a 15-year high as energy prices rose to record levels. [Employment]...gains were broad-based, with leisure and hospitality, education and health services, and professional and business services adding the most jobs. The critical financial activities sector added 6,800 jobs mostly because of 6,300 new jobs in securities. The City lost jobs in manufacturing, government, and construction. The faster pace of job growth was reflected in a decline in the NYC unemployment rate, which fell to 5.8 percent, the lowest rate since 2000.

Seems like good news right? Here's another way of looking at NYC's position:

1. From Main Street to Wall Street

> Wall Street bonuses are expected to be bolstered by high revenues as well as a stiffly competitive
> market for top talent, and may hit a record $21.5 billion in 2005, according to the Office of the New York State Comptroller.

New York's economy is uniquely connected to the rest of the country's economy through Wall Street. It's tax base, real estate market and smaller service businesses are heavily dependent on the stock market's fluctuations and the bonuses given at large investment banks and brokerages. A major stock market crash, asset depreciation and subsequent lay-offs at major Wall Street firms, could send NYC back into a 1970's type public financing dilemma.

2. Tourism Dollars

> New York City & Company estimates that the City hosted 6.7 million international and 34.8 million domestic visitors. Tourists are estimated to have contributed about $22 billion in revenues, generated $5 billion in taxes, and accounted for some 330,000 jobs.

New York's economy is also heavily dependent on tourism and business air travel from all over the world. As fuel prices rise, tourism will become more localized and less international. As family discretionary budgets tighten, I think a trip to NYC may become much less frequent.

3. Energy Driven Inflation

> The inflation rate jumped to 3.9 percent in 2005, the highest level since 1991, and the core inflation rate, which includes all items except food and energy, was 3.0 percent, the highest since 2002 and notably higher than the nation's core rate. Energy, transportation, housing, and services all contribute to high inflation.

While most New Yorkers don't drive cars, most of the goods they consume are delivered by truck instead of freight rail. While this is far more efficient than each person driving separately to the supermarket for that last leg of the trip, it shows that we are still heavily dependent on fossil fuel driven transportation for long distance goods to be delivered here. And while NYC does have more multi-unit buildings that are more energy efficient, this winter was generally mild New York does have some bitterly cold days that require significant heating.

Can NYC survive $100 oil? Yes.
Will NYC fare better than the rest of the country? Yes.
Will it be pretty? No Way.

One part of the SustainLane report I would like to point out is this statement, which I believe is key:

> One commonality each of these ten cities has--though this was not used to determine the ranking--is that each is a major port. Port cities have the natural advantage of receiving imported goods without the added fuel needed to send truck fleets across the nation to landlocked areas. Just as it was for hundreds of years before the twentieth century, a city's geographical location may once again become the most important factor keeping its economy thriving.

Every area will have it's own issues to work through. NYC does occupy a great geographic position, but will need to diversify its economic base to include more manufacturing, working harbor ports, freight rail connections and support more regional agriculture. It also needs to make sure that major economic disruptions do not harm the quality of its public services (police, fire, sanitation, etc) that might create a vicious cycle of fiscal distress, poverty, drugs, crime, corruption and ethnic tension like the 1970s. All you need to do is compare the responses to the 1977 blackout and the 2003 one to see how far we've come. I sincerely hope we do not regress back. I plan to work toward making sure that we can make NYC as energy efficient and sustainable as possible, but it will be a big job.

What do you guys think? Remember that this just focused on cities, not small towns, suburbs or rural areas, so this is not necessarily a complete analysis of where you might want to go. What cities, towns, parts of the country would you rather be in during a $100/barrel oil crunch?