

YVR not ready for oil hike

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The Vancouver International Airport Authority has just launched a \$1.4-billion capital plan to accommodate projected increases in passenger traffic. However, the airport authority's president and CEO, Larry Berg, has acknowledged to the Georgia Straight that his staff have not assessed the impact of higher oil prices on the number of people who will travel through YVR in the future.

Oil surpassed US\$60 per barrel in June. Some airlines have added ticket surcharges to cover the cost of higher fuel prices, which account for more than 20 percent of some airline companies' operating costs.

On July 3, Texas energy analyst Matt Simmons told the Observer, a British paper, that oil prices could reach US\$100 per barrel within six months. Earlier this year, the investment firm Goldman Sachs warned that oil prices could spike above US\$100 within the next two years.

On June 30, Berg told Vancouver city council's planning and environment committee that a record number of passengers—16.4 million—will be processed through the airport this year. He predicted that those numbers will continue increasing by more than 700,000 per year.

"This puts our capacity under significant pressure," he said.

Berg cited a new agreement between Canada and China that will increase the maximum number of weekly flights from 15 now to 60 by 2008. He also mentioned a new Canada-India agreement that will increase the number of weekly flights between the two countries from seven to 35. Berg added that Canada has also started discussions with the United States to create an "open skies" agreement.

"That can again have significant implications for Vancouver in particular...because we're the shortest point between the U.S. and Asia," he said.

Berg noted that the airport authority's 10-year, \$1.4-billion capital program, which was launched June 30, will add nine new gates at YVR's international terminal by 2009. Two gates will accommodate the new Airbus A380. The airport-improvement fee helps finance the plan, which includes a \$300-million contribution to the Richmond/Airport/Vancouver Rapid Transit Project.

COPE Coun. David Cadman told the Straight that he questions how much more airport infrastructure is necessary in an era of rising oil prices. He noted that the world is consuming oil much more rapidly than it's being discovered, which means that the price will continue increasing. "As the price goes up, so necessarily will the cost of flying," Cadman said. "And as the cost of flying goes up, it will impact the number of people who do holiday flights and, I suspect, will even impact the number of people who do business flights."

Prior to the committee meeting, Berg told the Straight that airport staff have not prepared any models on the effect that higher oil prices will have on passenger traffic through the airport. He added that the airport authority relies on forecasts from Transport Canada that he described as "very accurate", and from individual airlines.

"I don't put myself in the position of trying to predict the future of oil prices," Berg said. "That's not my business."

Meanwhile, a Vancouver-based analyst has predicted that higher fuel prices will doom airport-expansion projects around the world. Julian Darley, director of a think tank called the Post Carbon Institute (www.postcarbon.org/), told the Straight that he thinks Berg's comment about not being in the business of predicting oil prices is akin to a ship captain saying he is not in the business of forecasting the weather.

Darley added that he believes the airport authority's capital plan is a "stunning waste of money" because a looming global oil shortage will reduce air travel. "My guess is going to be that when it comes to a choice between diesel fuel for trucks and jet fuel for planes for tourists, it's going to be diesel fuel for trucks," he said.

At the June 30 council committee meeting, airport authority vice-president Anne Murray said that under one planning scenario, the airport would process 45 million passengers by 2045. This would be almost a threefold increase over this year's number. "It's also possible that if we have fuel prices at \$100 a barrel, that is going to mean that aviation ticket prices go up and fewer people fly," Murray said. "If we've learned nothing from the past four years in aviation, it is we need to be flexible. We need to be very prepared to respond to frequent change."

In 2002, the airport authority forecast 15.62 million passengers in 2003 and 16.56 million passengers in 2004. The actual numbers were 14.3 million and 15.7 million. 1