Friday the 13th, 2008, You Can't Say You Weren't Warned!

The American Working Group for National Policy is reprising, in the eyes of the public, one of its important studies relating to the current air transportation debacle, "A Vicious Cycle" by Peter and Alan Martin, October 2003. Understanding that this major document was used to change American oil policy, AWGNP is reintroducing it since the study gained little public attention at the time. Seemingly, as another "inconvenient truth" to the airline industry and its rich and powerful supporters, it was generally suppressed.

Quoting from the report:
"The Least Sustainable Form of Transport and the Impending World Oil Shortage:

- The air industry, of all industries, soaks up a significant portion of the world’s oil supply and, at some point soon, will cause an extreme imbalance in the “supply/demand” equation.

- World oil production today is 74 million barrels per day. Increased global economic activity only serves to increase demand and bring forward the date of peak production capacity. At a 3% growth, peak world supply and demand will reach equilibrium in the year 2006 at levels of 80 to 90 million barrels a day.

The EIA recently (late 2002) stated that by 2022, oil demand would reach 119 million barrels a day. This demand-supply shortfall will create a very large increase in oil prices, resulting in a big increase in airline passenger fares, cargo and possibly postage costs, thus reducing air transport demand."

Clearly, the authors were "spot-on", in that the oil supply-demand crisis actually began about mid-2007.

The latest Energy Information Agency forecast of June 10, 2008 states:
"The overall picture of strong demand and tight supply is expected to continue. WTI prices, which averaged $72 per barrel in 2007, are projected to average $122 per barrel in 2008 and $126 per barrel in 2009."

Today, we see airlines slashing their existing over-capacity condition, in an attempt to survive in the face of very high fuel costs, reducing flights and moth-balling up to 20% of their aircraft.

Again, from the report:
"Ironically, the government is massively expanding airport capacity in order to solve an overcapacity problem in an attempt to “fix” the air transportation industry’s financial problems."

The airlines are (finally) doing what they should do, cutting capacity (and raising ticket prices); unfortunately, the airports are continuing to do just the opposite, i.e., expanding capacity and incurring massive expenses and/or debts in the process. The one potential benefit that derives from this worsening airline financial disaster is that it hopefully drives a top-to-bottom re-examination of the U.S. government's drive to massively expand airport capacities, most of which was based on assumptions of $30/barrel oil for the foreseeable future, and quickly brings a halt to such profligate and expensive governmental behavior.

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Finally, from the report, "The American citizens and their government can either wait for a transportation disaster to arrive in the next couple of decades, or they can start to take positive, corrective actions now.

The airline/airport industry must be reined in, while re-directing attention to providing a more balanced, modern, inter-modal U.S. transportation system. Some solutions include:

The public is strongly advised to read the full report for the answers, as well as all the sleaze, money, politics and governmental mismanagement behind this debacle.  
http://www.areco.org/A%20Vicious%20Cycle2.pdf

Special thanks to Peter and Alan Martin again!

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