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Erroneous Oil/Fuel Price Forecasts Fuel More Airline Demise:

Grossly Erroneous Oil/Fuel Price Forecasts Used by FAA For U.S. Air Transportation Demand Projections, Excessively Drive Up Air Transportation Demand Forecasts To Support Massive Airport Expansions

The American Working Group for National Policy, Inc. (AWGNP) and The Alliance of Residents Concerning O'Hare, Inc. (ARECO) have petitioned the Federal Aviation Administration (FAA) to produce a mid-year correction to their "FAA Aviation Forecast 2004", released in February 2005.

AWGNP and ARECO also are petitioning the FAA to cease and desist any approvals of U.S. airport expansion programs until such mid-year forecast is completed and any affected airport expansion programs are appropriately adjusted for the expected substantial changes in demands.

These petitions are based on what are believed to be gross errors in the forecast for aircraft fuel prices for the next decade. The impact of fuel prices is already problematic, and will continue to be, much higher than the FAA has forecasted. It will substantially raise air transport operational costs and force much higher passenger ticket and freight prices, reducing flight demands, considerably below that which is forecasted.

The findings are strongly supported by the U.S. Department of Energy, who in their latest forecast (7/12/05) stated:

The WTI crude oil price averaged over \$56 per barrel in June and is now expected to average \$59 per barrel for the third quarter of 2005, approximately \$6 per barrel higher than projected in the previous Outlook and \$15 per barrel above the year-ago level. Monthly average WTI prices are projected to remain above \$55 per barrel for the rest of 2005 and 2006. Oil prices remain sensitive to any incremental oil market tightness. Imbalances (real or perceived) in light product markets could cause light crude oil prices to average above \$60 per barrel.

This contrasts powerfully, with the FAA's forecast (generally based on a \$30/barrel assumption) that jet fuel prices will average \$0.76/gal in 2005 (current price approximately \$1.80/gal) and only reach only \$0.87/gal in ten years!

The importance of a fast FAA response in creating this mid-year correction is heightened by the fact that numerous, very expensive, United States airport expansion programs are in various stages of approval by the FAA and that these approvals will be based on the existing airport capacity projections, as derived from the demands developed in this "FAA Aviation Forecast 2004". Thus, the justifications for many of these airport expansion plans are seriously flawed, and the FAA cannot go forward with any such approvals, until this serious error is corrected.

"The impact of substantially reduced air transportation demand, along with the heavy debt incurred from unwarranted airport expansion, will be even more devastating to the air transportation industry's already critical financial problems. This will fuel more economic demise, not only to the industry but, also, to the American economy, business and especially, the taxpayer who will be responsible for the \$100's of billions of dollars in costs of these unnecessary airport expansions.," stated Jack Saporito, spokesperson for the two aviation watchdog organizations. "There are better ways to accommodate our long-term capacity needs."

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editors Note: Petition and attachment can be found online at:

<http://areco.org/FAA%20Fuel%20Calculation%20Petition.pdf>