High oil prices squeezing tourism industry

By LAUREN KRUGEL The Canadian Press
Wed. Mar 12 - 4:46 AM

CALGARY — High oil prices are squeezing business that rely on travellers for their livelihood, says the head of the Tourism Industry Association of Canada.

"It is a drag on tourism for sure," chief executive Randy Williams said in an interview Tuesday.

After a several record-smashing weeks, a barrel of crude oil was worth more than US$108 on the New York Mercantile Exchange. Analysts have said that once the summer driving season kicks in, a litre of gasoline could be worth between $1.30 and $1.40.

The prospect of expensive gas may cause drivers to balk at road trips they may have been planning for the summer. And travellers opting for planes, trains and coach buses may be hit by fuel surcharges.

"When the cost of fuel goes up it means the cost for airlines in particular is much higher and usually they have to pass on those costs to travellers because the cost of fuel represents such a significant part of the airline industry," Williams said.

For drivers "it has the effect of maybe reducing some of the distance travelled or even their ability to travel by car or away from their home."

Despite higher gas prices, sales in recreational vehicles went up by 13 per cent last year compared to 2006, said Catherine Fortin LeFaivre, a spokeswoman for Go RVing.

"People buy into the lifestyle because of the savings associated with it," she said.

For instance people who travel in RVs eat fewer meals in restaurants and pay only $20-$40 for a campsite instead of hundreds of dollars for a hotel room.

About half of respondents to a recent survey by the group said their travel plans have been affected by expensive gasoline.

"In the past, when gas prices were a little lower, RVers would maybe stop at six campsites in two or three weeks. Those that say they have been affected (by high gas prices) will hit maybe two or three campsites," Fortin LeFaivre said.

"So they're travelling in between the campsites less, but they're not RVing less."

Passenger train company Via Rail consumes about 60 million litres of diesel every year, spokesman Martin Roy said.

"Imagine if you go to the pump yourself and you're surprised when you fuel your car how much it can affect us," he said.

However Via does not pass on the cost to consumers through fuel surcharges, like some other companies do. Instead, about 60 to 65 per cent of the company's fuel is bought at a set price in advance through hedging.

That has led to savings of as much as $30 million over the past decade, Roy said.

"It's a good thing if it makes us save money, but that's not the purpose. It's really to reduce budget risks."

Eventually Via's current hedges will expire and the railway will have to buy fuel at a higher in the future, Roy acknowledged.

Fuel is the single-biggest cost for most airlines and companies have dealt with the rise in crude oil in different ways.

Air Canada has worked the increased costs into its fares since 2004. It also locks in much of its fuel expenses through hedging.

Canada's largest airline has estimated that a one dollar increase in the cost of a barrel of oil costs the carrier about $28 million.

Discount airline WestJet does not have a hedge program and has so far been able to hold off on increasing its fares. It looks at ways to save by making its fleet for fuel-efficient.

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