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ECONOMY » OIL CRISIS

Fuel costs drive Canadians to park their cars

Vehicles clocking 800 kilometres less a year, analyst says

BY HEATHER SCOFFIELD OTTAWA
DAKSHANA BASCARAMURTY
AND VIRGINIA GALT TORONTO

Soaring gasoline prices have finally prompted Canadian drivers to curtail their travelling and scale back spending in other areas to cover off their fuel bills.

Gasoline prices surged 8.8 per cent in May from a month earlier, but the amount of money consumers spent on gas that month rose just 2.4 per cent, Statistics Canada said yesterday.

So the volume of gas sold actually declined significantly, something that has almost never happened at this time of year since the early 1990s, Statscan analysts said.

"Drivers really did park it, in the face of soaring prices," said Douglas Porter, deputy chief economist at BMO Nesbitt Burns. "I think we reached a bit of a breaking point over the spring, where people do actually respond."

Because of technical issues, it's difficult to pinpoint exactly how big the decline in volume was in May, but various analysts calculate that it was as large as 6 per cent from a month earlier.

And industry analyst Dennis DesRosiers, president of DesRosiers Automotive Consultants Inc., estimates Canadians are driving 800 kilometres less a year per vehicle now.

Normally, consumers complain bitterly about rising gas prices, but don't follow through with their spending patterns.

This spring, however, as gas prices rose sharply at stations across the country, there has been ample anecdotal evidence about a major change in attitudes.

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Consumers believe high prices will persist, analyst says

» Sales of sport utility vehicles and gas guzzlers are down, while sales of small cars are up. Road trips and RV sales are in jeopardy this summer. The Trent-Severn Waterway, in Ontario's cottage country, reports a 28-per-cent drop in boat traffic so far. Consumer confidence is plunging because of high gas prices.

But until now, there have been no solid data showing that the high prices are prompting families across the country to re-evaluate how they spend their money.

"It's a good first signal that we're starting a turning point," said retail sales analyst Claude Bilodeau at Statistics Canada.

Life insurance broker Jack Bendahan, for example, has switched to a four-day work week and now parks his Mitsubishi Eclipse convertible at home on Fridays – saving roughly \$250 a month on gas.

"There's a lot of driving in this business. I'm all over the place," said Mr. Bendahan, who also co-ordinates his appointments and plans his routes more carefully now to avoid excessive mileage. He has eased up on the gas pedal, as well.

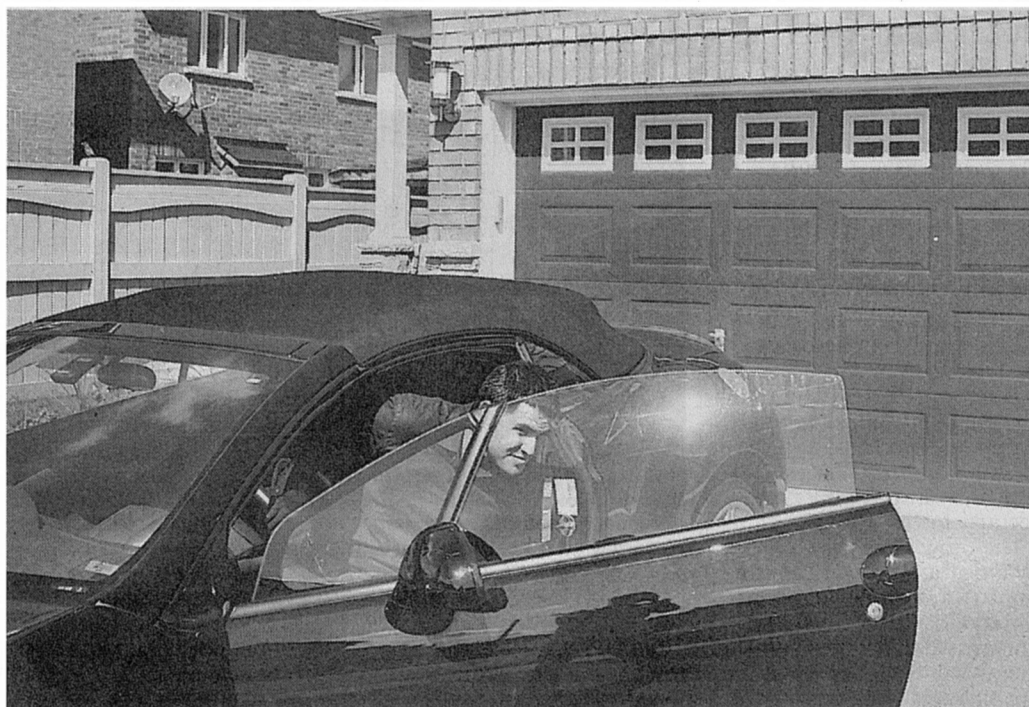
His company, LSM Insurance of Markham, Ont., had given employees the option of compressing their work into a four-day schedule a year ago, "but I only got on board on that three months ago."

Mr. Bendahan is trying to sell his car, which takes premium gas, and is thinking about purchasing a more fuel-efficient Toyota Yaris.

Kay Chevary went so far as to switch jobs more than two years ago to cut down the time of her commute, a major life change that she said was motivated by increasing fuel prices. "I think when they hit a dollar [a litre] I started rethinking everything," she said.

Now a teacher with the Toronto District School Board, she drives only 10 kilometres a day, four or five times less than she did at her previous job.

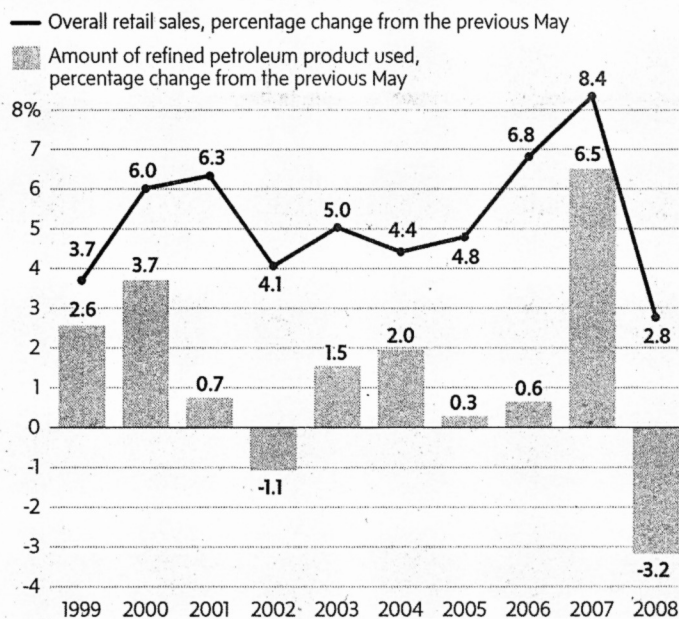
Over all, retail sales numbers released yesterday show that not only are gasoline sales vol-



Jack Bendahan, seen yesterday in the Mitsubishi convertible he now parks one day a week and is thinking of selling. FERNANDO MORALES/THE GLOBE AND MAIL

Canadians are buying more, but using less gas

A decade of May prices shows how we're still buying more consumer goods but moderating our driving.



THE GLOBE AND MAIL » SOURCE: STATISTICS CANADA

that increase was merely a price effect, due primarily to gasoline. If gas is excluded from the monthly change, it was just 0.1 per cent. Similarly, in pure volume terms, retail sales barely rose, up just 0.1 per cent from a month earlier.

Retail sales have been a key driver of Canadian economic activity, and policy makers are dependent on shoppers to protect the Canadian economy from the recessionary conditions materializing in the United States.

But economists project that retail sales will soften considerably in the next few months. And gasoline is burning a bigger and bigger hole in consumers' pockets, said Krishen Rangasamy, an economist at CIBC World Markets. Gas absorbed 13 per cent of consumer spending in May, up from 10.7 per cent last September and 12.1 per cent at the beginning of the year, he calculates.

The tipping point for many consumers was probably when gasoline rose to about \$1.25 or \$1.30 a litre in late May, said Michael Ervin, president of fuel analysis firm M.J. Ervin and Associates. Gas averaged \$1.40 a litre in Canada last week, ranging from \$1.31 in Edmonton to \$1.55 in Labrador City, according to his own research.

Part of the change in consumer behaviour stems from the belief that high prices will persist, Mr. Ervin said in an interview from Calgary.

"If consumers really thought that this would be a short-term blip, they'd weather on."

Long-time public transit user Colin Cieszynski, a market analyst with CMC Markets in Toronto, has noticed the subways and the commuter train from Richmond Hill to Toronto getting more crowded.

There are also more non-regulars taking the train now, to the annoyance of some long-time passengers, he observed.

"I have seen it more on the GO Train, and heard stories that people tend to be more territorial, like people putting [up] their bags to save seats and things like that."

umes down, but other retail areas are facing weak demand as consumers see their paycheques eaten up by fuel.

Clothing sales dropped 1.1 per cent in May from a month earlier, while convenience and specialty stores saw their fourth decrease in as many months, as consumers pinch their pennies.

Derek Nighbor, senior vice-president of national affairs with the Retail Council of Canada, said retailers are "getting squeezed in every direction" by rising fuel prices.

"It's taking money out of the pockets of their employees, it's taking money out of the pockets of their customers and it's costing more money to bring goods into stores," he said.

Mr. Nighbor said, however, that cold and wet weather in May was the main contributor to the dip in clothing sales.

"Consumers are becoming more conservative in their shopping patterns," said Marco Lettieri, economist at National Bank Financial.

Over all, retail sales rose 0.4 per cent in May, but much of