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[Terence Corcoran, gasoline prices](#)

Financial Post

Terence Corcoran is Editor of the Financial Post.

People cannot stay at home with their cars parked as a way of earning enough to buy an HDTV or a sports coat

By Terence Corcoran

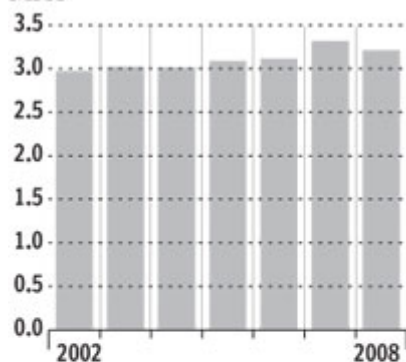
According to some of our leading Bay Street economists, Canadians are “parking their cars” to avoid paying high gasoline prices. Doug Porter, of BMO Capital Markets, said “drivers really did park it in the face of soaring prices.” Canadians, wrote one reporter paraphrasing another economist, “are choosing to stay off the roads whenever possible.” Auto stats guru Dennis Desrosiers estimated that the average Canadian is driving 800 kilometres less per year.

All this musing over the decline of auto usage came out of the latest Statistics Canada report on retail sales in Canada. The parked-car spin fit the conventional wisdom that rising oil prices would derail the automobile market and, as a back-door carbon tax, promote a dramatic reduction in gasoline usage and carbon emissions.

GASOLINE SALES AND PRICES

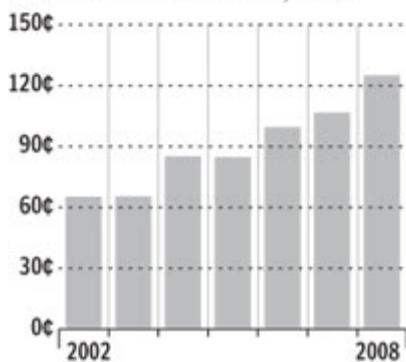
RETAIL SALES OF MOTOR GASOLINE

MILLIONS OF CUBIC METRES,
MAY



AVERAGE TORONTO GASOLINE PRICE

IN CENTS PER LITRE, MAY



SOURCE: STATISTICS CANADA,
MJ ERVIN & ASSOCIATES INC.
JONATHON RIVAIT / NATIONAL POST

Did the retail sales numbers prove that theory right — finally? The massaging of the retail figures took a bit of work. Retail sales rose 0.4% in May from April. But since gasoline prices rose 8.6% in May, that implies gasoline sales fell 5.9%.

These are tricky statistical maneuvers, the results of which don't appear to mesh with other StatsCan figures on gasoline sales volumes. In May of this year, Canadians bought 3.2 million cubic metres of motor gasoline at retail. That was up 7.3% from April. If Canadians were parking their cars, why would they be buying 7.3% more gasoline?

Looking to a year-over-year comparison, May gasoline sales this year were indeed about 3% below May of last year. But a 3% difference in same-month gasoline sales from one year to the next is hardly an indicator of a major new trend or a tell-tale fall-off in gasoline usage.

The reason for wading into this statistical thicket is to cast a little light on the instant economic theory that big increases in energy prices automatically produce big declines in energy use. As the graph above shows, Canadian retail gasoline sales by volume have steadily increased over the last half decade, May over May, even while gasoline prices at the pump have soared. This is not to suggest that price doesn't change demand and behaviour. It just doesn't do it to the extent many people on the carbon-tax bandwagon like to pretend.

There are many reasons for this stickiness. Some of them are outlined by Vincent Geloso in his commentary on this page. The actual cost of energy matters much less to consumers than it did 15, 20 or 30 years ago. Rising standards of living, coupled with major gains in efficiency, especially in automobiles, mean that the total cost of driving a car as a proportion of personal income is much lower than it used to be.

Energy consumption is also, it should be obvious, different from other kinds of consumption. Energy drives growth, helps people boost their incomes. It is the vital stuff behind improved living standards. People cannot get up in the morning and park their cars so they can buy another HDTV or a better sports coat. They drive to get a better job or earn more money so they can buy another HDTV or a better sports coat. Energy is a direct source of wealth creation, not a commodity consumed like chocolate or a new bread maker.

While there might be some marginal reduction on consumption with higher gasoline price — not everybody who has an SUV or a truck needs one, although many do — it would be a mistake to think that energy prices and carbon taxes are mechanical devices to manage energy consumption and emissions.

In some ways, what may really be showing up in the latest retail sales numbers is the reverse of the theory. Higher gasoline prices are prompting consumers to spend less on other things so they can maintain their gasoline consumption. It's much more vital to their economic well being.

Businesses are also responding by cutting back more on other expenditures so as to maintain their essential supply and distribution systems, which are dependent on energy. To cover rising energy costs, companies will mostly raise prices and reduce other spending. Parking cars and trucks isn't much of an option when your business or livelihood depends on it.