

*High gas prices ripple through economy; Smaller cars, RTD attracting customers Denver
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HEADLINE: High gas prices ripple through economy;
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BODY:

Consumers appear to be making long-term changes in the types of vehicles they drive and where they drive them in order to cope with gasoline prices that now hover around \$4 per gallon.

Big, gas-guzzling SUVs and pickup trucks are "out." Smaller, fuel-efficient and even hybrid or electric cars are "in." Even taking the bus is cooler than it used to be.

The result: The demand for gasoline in the United States -- the biggest gasoline market in the world -- may have peaked in 2007 at 9.3 million barrels per day, according to a study by the Cambridge Energy Research Associates (CERA), a global research company and a division of IHS Inc. (NYSE: IHS), based in Englewood.

"We looked at the various predictors of future gasoline demand," said Samantha Gross, CERA's associate director for the global oil group. "And they're all pointed downward."

The number of miles people drove in the United States dropped in 2007, and that's continued in 2008. In April, the number of miles logged by cars and trucks dropped 1.8 percent from April 2007, according to the Federal Highway Administration.

"That hasn't happened since the oil shocks of the 1970s," Gross said.

And while overall vehicle sales are down, the cars that are selling are smaller and get better gas mileage -- meaning better fuel efficiency in the nation's vehicle fleet for years to come, Gross said.

"As recently as February, SUVs, light trucks and minivans were 50 percent of the total market, and now it's down to 43 percent since February," Gross said. "You look at the way the industry is responding: Ford is idling the plant that makes the Expedition and the Lincoln Navigator for nine weeks this summer. They're adding shifts at the plant that makes the Focus.

"They're shifting their production to meet demand for small, fuel-efficient cars. It really seems like consumer behavior is changing; they feel that the high gas prices are here to stay," she said.

Don Hicks, president and CEO of Shortline Automotive Inc., with dealerships in Aurora and Colorado Springs, sees the changes in his own showrooms. Shortline sells cars built by Subaru, Suzuki, Hyundai and Kia in Aurora, and has a Porsche showroom in Colorado Springs.

"We've seen a pretty quick change from business as usual to 'We need an economy car and we need one now,'" Hicks said. "This market is coming to us.

"Unfortunately, for a lot of people, they're driving full-size trucks and SUVs and almost overnight, their values have tumbled. They're in free fall and I'm not sure if there's a bottom yet."

Shortline is still accepting big, gas-guzzling cars and trucks on trade-in, but wants to have a buyer for the vehicle lined up before it puts a value on the trade-in, Hicks said.

"If we trade a full-size Ford pickup, we'll call several Ford dealerships to get an idea of what they'll pay for it wholesale," he said. "That market is very, very volatile."

And many drivers have parked their cars in favor of the bus or light rail.

"We have seen an increase in ridership," said Scott Reed, spokesman for the Regional Transportation District (RTD).

The number of riders during the first four months of 2008 was up 9 percent compared with the first four months of 2007. For all of 2007, ridership was up 8 percent from 2006, Reed said.

"With the current ridership increases, we're on pace to break 100 million passenger trips annually for the first time in the 35-year history of RTD," Reed said.

Some of RTD's parking lots are filling earlier than before and ridership on longer, commuter bus routes is growing faster than that of local bus routes, Reed said.

"Which makes sense, because those trips burn up the most gas for people who previously rode," he said.

But newfound popularity can hurt. RTD also suffers from the same higher fuel costs -- diesel, in its case -- that led to more riders in the first place.

RTD budgeted 2008 fuel costs at \$2.62 per gallon for diesel, a 27 percent increase over the

agency's contract price for 2007. It ended up with a 2008 contract price of \$3.20 per gallon, a 55 percent increase from 2007 -- and an extra \$6 million over budget for the year.

RTD raised fares in January, but with diesel prices projected at \$4 to more than \$5 per gallon for 2009, there's no way RTD can shoulder those fuel costs without another fare increase -- or systemwide service cuts, said Cal Marsella, RTD's general manager.

"The paradox is demand is up and people want more service. Buses are full, standing room only," Marsella said. "But fuel prices are up too. It costs more to put service on the street. And with gas up, more and more money goes into the fuel tank and [consumers] don't have as much money to spend on discretionary items, so sales taxes are down."

RTD is projecting that its tax collections could be as much as \$18.9 million under expectations for 2008.

"If fuel prices continue to be high, or meet the high end of projections, we're going to have to make changes in either fare increases or reductions in service -- or both," Marsella said.

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