

the **TICKER**

Cheap Gas Hitting Home In Traverse City

January 24, 2015

By Lynn Geiger



You'd be hard pressed to find a motorist not happy about the price at the pump these days.

Steadily falling for the last several months, the average cost of a gallon of gasoline in the Traverse City area this week is \$1.90, according to AAA Michigan. One year ago, it was \$3.359.

Prices first dipped below \$2/gallon at some stations in Michigan on New Year's Day, a price not seen since March 2009.

But what about the impact of cheap gas on those businesses that are much more fuel-dependent?

Jim Jeffreys, general manager of Fox Motors Grand Traverse, tells The Ticker the dealership is seeing shoppers with more money to spend and they're spending it on cars, but the drop in gas prices hasn't translated to more gas guzzlers going out the door – at least not yet.

“We were just discussing this at our sales meeting yesterday,” Jeffreys says. “We have not seen any shift in buying patterns. It may be a little too soon.”

“Consumers are very accustomed to the cyclical nature of gas prices ... and that cycle has been upward for the last decade. If we see \$2 or less for another four to six months, then we might see a little uptick in sport utility vehicles and trucks,” says Jeffreys.

At nearby Bill Marsh Auto, sales staff is seeing an impact. The dealership reports truck sales were up 30% in 2014 – and attributes part of that increase to people paying less for fuel as prices started declining over the summer and continued through the end of the year.

According to Marsh sales managers, the trend now is to get into larger vehicles.

Speaking of large vehicles, for a company such as Team Elmer's any true impact will be realized only if the low prices continue.

“Our construction cycle is seasonally dependent, so the impact will not be truly felt until summer,” says Tonya Wildfong, director of marketing. “If prices continue to be lower than in the past, we will be able to reinvest those savings into updating our equipment.”

Beyond fueling costs, Wildfong sees an equally important impact on Elmer's employees.

"Our employees have more disposable income," she says. "An extra \$20 saved on filling up their vehicle gets more groceries or a date night out at the end of the week. Those extra dollars mean a lot to our crews who work hard outside in the elements all year long. They appreciate the relief."

The drop in gas prices is directly related to a significant decline in crude oil costs (\$92.42 per barrel in January 2014 compared to \$48.77 earlier this month) due to an abundant supply. In addition in increased oil production – due to new drilling in the Gulf of Mexico and more hydraulic fracturing – global demand is also expected to weaken in 2015.

For a company in the business of oil, the impact will be significant if prices continue as they are, or go even lower.

Traverse City-headquartered West Bay Exploration works a couple of years out on its oil exploration projects, explains Vice President Pat Gibson.

Because of that, "when oil prices fall as precipitously as they have, it has no immediate impact," Gibson says.

However, if crude oil prices continue in this pattern over the long term, "that would definitely impact our exploration operations," he notes.

Original article: <http://www.traverseticker.com/story/cheap-gas-hitting-home-in-traverse-city>