Vacationers to enjoy gas relief

Experts see up to 50-cent cut at pump by June, which may boost economy

By Chris Kahn
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NEW YORK — Some relief from suffocating gas prices will likely arrive just in time for summer vacation. Expect a drop of nearly 50 cents as early as June, analysts say.

After rocketing up 91 cents since January, including 44 straight days of increases, the national average this past week stopped just shy of $4 a gallon and has retreated to under $3.98. A steady decline is expected to follow.

It might not evoke cheers from people who recall gas stations charging less than $3 a gallon last year. But it would still ease the burden on drivers. And it might help lift consumer spending, which powers about 70 percent of the economy. A 50-cent drop in prices would save U.S. drivers about $189 million a day.

Typically, gas prices peak each spring, then fall into a summertime swoon that can last several weeks. This year's decline should be gradual but steady, said Fred Rozell, the retail pricing director at the Oil Price Information Service.

Some drivers might not notice much of a price drop at first, Rozell cautioned. When average gas prices fluctuate nationally, some areas are affected more

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than others. It's even possible prices will rise at some stations in coming days even if they decline nationally.

And after the galloping surge in prices this year, many gas station owners are reluctant to lower prices until they see their competition doing the same, Rozell said.

"It's just the nature of the business," he said.

Station owners still feel bruised from their own higher costs earlier this year. In some cases, their suppliers raised prices so quickly that station owners couldn't pass along those higher costs to consumers fast enough.

"So station owners will be watching each other this summer," Rozell said. "When one guy drops, so will the other."

As prices soared this year, surveys showed motorists started to drive less. MasterCard SpendingPulse said this past week it had recorded its sixth straight week of lower gasoline consumption.

That's a cautionary sign for the economy, because most drivers conserve fuel only after curbing spending on other discretionary items like furniture, computers and vacations.

Over the past month, gas prices have risen 36 cents a gallon in Columbus, Ohio, to $4.10. Steve Garrett has felt it. He's scrapped a summer trip to Myrtle Beach, Fla. And the bakery distribution center where he works has begun closing sites and laying off staff to save fuel on bread and pastry shipments.

If prices fall fast enough, Garrett, 43, said he may think about another vacation in August.

"But right now, I'm still just scared about the economy," he said. "I still might lose my job."

This past week, a confluence of factors stemmed the rise in gasoline prices.

Oil, which is used to make gasoline, tumbled 15 percent in price. Investors worried about rising oil supplies and falling gasoline demand in the United States helped drive down the price. Oil prices were also responding to a rising dollar. Oil is priced in dollars. So a stronger dollar makes oil less appealing to people buying with foreign currencies.

It was the largest weekly drop for oil in two and a half years. Some analysts predict oil will keep falling — from about $97 a barrel to about $80.

Many U.S. refineries also are expected to boost production after a series of unplanned shutdowns stemming from power outages and other problems. Those refineries would pump more gasoline to gas stations. And the increased supplies should push down prices.

"It's going to be $3.50 per gallon this summer," oil analyst Andrew Lipow said. "At the very least, you can expect prices to fall 40 cents or so over the next several months."

Thirteen states and Washington, D.C., have recorded average prices above $4 per gallon. Prices shot up much higher than that in Hawaii, Alaska and parts of Illinois.

The run-up persuaded U.S. Sen. Mark Begich of Alaska to ask residents to post photos of local pump prices because "the rest of the country doesn't understand" what it's like to live with gasoline above $4.20 per gallon.

In Illinois, florist Harry Schneider said he had to cut back on shipments from his Melrose Park shop just before Mother's Day. With Chicago-area gas prices averaging $4.45 a gallon, Schneider said he couldn't afford to deliver some arrangements.

"I need to make enough to cover the driver's wages, wear-and-tear on the vehicles and fuel," Schneider said. "I keep looking at my own bottom line and wonder, 'How long do I want to keep losing money?'"

In San Francisco, some top officials have traded their city-owned SUVs for more fuel-efficient hybrid vehicles. Police Chief Greg Suhr said he and his command staff would switch to Ford Fusion Hybrids. Mayor Edwin Lee opted for the Fusion sedan, which gets an average mileage of 39 miles per gallon.

Elsewhere, some hotel chains are starting to offer discounts to help offset higher gasoline costs.

Those changes may need to stay in place for a while. Even if oil falls steeply in coming months, analysts note that world demand continues to rise. Lipow predicts that oil could return to about $110 a barrel by year's end.

If that happens, and if any major hurricanes disrupt refining operations later this year, expect gasoline prices to once again flirt with $4 a gallon.