Why you're still getting gouged

Inflated profits, regulations, taxes and timid shoppers keep prices high

COLIN CAMPBELL | August 6, 2008 |

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Once a month, Henry Tenby jumps in his car — just after the morning rush hour and with a tank close to empty — and makes a 45-minute drive from his Vancouver home to Blaine, Wash. After zipping across the border using his recently acquired Nexus pass, he fills up with cheaper American gas and stops off at a packaging store, Hagens of Blaine, where the aviation buff and Internet entrepreneur picks up the computer parts and memorabilia he routinely buys online from the U.S. and has shipped there under his name. The cross-border shopping ritual saves him anywhere from $50 to hundreds of dollars a trip — at the very least, the equivalent of a nice dinner out, he says. This month, he plans to buy a piece of new computer hardware in the U.S. for about $200. Buying the part in Canada would cost $320, he estimates. As for Canadian retailers charging more than their American counterparts: "I think they're just being greedy and gouging Canadians," he says. "I don't like it."

It wasn't supposed to turn out like this for Canadian consumers. When the Canadian dollar reached parity with the U.S. greenback on Sept. 20, 2007, Canadians celebrated. The news was trumpeted in headlines like the results of some epic sporting match. "$1 Cdn = $1 US," one simply stated. For the first time in over three decades, Canada seemed to be back on equal footing with its neighbour to the south. But after reaching such great heights, Canadians quickly discovered that the view wasn't all it was cracked up to be. Shoppers noticed they were still paying alarmingly high prices for basic goods compared to Americans — in the case of big-ticket items like cars, sometimes many thousands of dollars more. Retailers and distributors vowed these cross-border price gaps would narrow over time as they adjusted to the stronger loonie. Well, almost a year later, we're still waiting, and savvy shoppers like Tenby are still saving thousands by taking their business to the U.S. — even after factoring in things like the cost of gas and duties.

Few people have been shafted worse than Canadian consumers by recent economic conditions. The loonie has soared in the past few years compared to the U.S. dollar largely because of demand for Canadian goods and confidence in the oil- and commodities-rich Canadian economy. That's all good news, and with a dollar that gives them more bang for their buck, Canadians should feel richer. Few are. Over the past year, the loonie has averaged almost US99 cents. But consumers are still paying as much as 30 per cent more than Americans for many basic goods, according to some surveys. "It's maddening," says Carrie Trueland, who works at an interior design store in Burlington, Ont. She crosses the border about every six weeks to visit her sister in Lockport, N.Y., and buys nearly all her clothes and cosmetics there, as well as groceries and electronics. Trueland says she went against her better judgment this spring and bought a sweater at a Canadian Winners for $29.99, only to find it at the retailer Bon-Ton in Lockport for $19.99 (all U.S. prices are in U.S. dollars) — 50 per cent less. "I was sick!" she says. "I wish it didn't have to be that way."

Why is it, then? There's plenty of blame to go around for the price assault on Canadian consumers, from retailers and distributors pocketing the difference from the stronger loonie, to government regulations and taxes pushing up prices higher than they need be. But the end result is always the same: at cash registers across the country consumers are losing out, and in that typically Canadian way, tolerating it without much of a fuss.

According to a recent report by BMO Capital Markets, prices of consumer goods in Canada are, overall, 18 per cent higher than in the United States. That's down from 24 per cent in 2007, but the gap is still "extraordinarily large," says Douglas Porter, deputy chief economist at BMO. In fact, consumer prices have actually risen faster in Canada than in the United States over the past three months, suggesting that any meagre price reductions we've seen so far thanks to the stronger dollar may be all we're going to get, adds Porter. The Consumers' Association of Canada (CAC) has also been tracking prices in the U.S. and Canada, and its informal survey pegs the difference at closer to 25 to 30 per cent. Building on the BMO survey, Maclean's looked at an additional 60 items — everything from cars to perfume — and found Canadians are paying 24 per cent more than their American neighbours. A Hannah Montana toy microphone costs $14.99 in Canada and just $10.99 in the U.S. — 36 per cent less. The average price of ChapStick in Canada is about $2.50. In the U.S., it's more like $2 — or 25 per cent less. Forget a narrowing of the price gap, these results (based on nationally advertised prices where available as well as averages from across the country) suggest that, overall, retailers and wholesalers have not made any progress at all over the past year. "It's still very real and it's still there," says Bruce Cran, president of the CAC. "We're being ripped off."

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