

RAC



RAC Cost of Motoring  
Index 2008

## Foreword

The cost of motoring has never been more pertinent in the UK as people are being forced to cut their spending in the current economic downturn. Fuel prices and access to credit are dominating the headlines, meaning motorists are feeling the pinch from all sides.

Rocketing petrol and diesel costs have contributed to a 17% increase on last year's overall cost of motoring. Coupled with hesitant car buyers and limited access to car credit increasing depreciation by a massive 35%, motorists are now forking out a fifth (19%) more to keep their cars on the road.

The RAC Cost of Motoring Index report is an annual in-depth study that tracks the costs associated with owning and running 17 popular models of car each year, and the attitudes towards the cost of motoring in 2008. It is designed to give drivers a clear picture of the cost of keeping a car on the road, and to reveal where savings can be made. We hope it will help those feeling the financial strain avoid any nasty shocks or unexpected bills along the way.

As the consumer champion for UK motorists, RAC urges both fuel retailers and the Government to help ease motorists' monetary pain. Only if action is taken can we see the cost of motoring come down.

### Adrian Tink

*RAC Motoring Strategist*



# Section 1

## The cost of motoring in 2008

The average overall cost of motoring has risen to £6,133 to keep a car on the road - a 19% increase from 2007.

Unsurprisingly, rising fuel prices are a key factor pushing the cost up, but what is surprising is that car depreciation is the biggest factor.

VARIABLE	2008 - £	2007 - £
Depreciation	3183	2357
Fuel	1322	1129
Cost of Finance	510	618
Insurance	483	446
Maintenance	381	321
Tax	118	129
RAC membership	136	133
<b>Total cost (per year)</b>	<b>6133</b>	<b>5133</b>
<b>Total cost (per week)</b>	<b>117.94</b>	<b>98.71</b>



According to the index, the annual running costs (excluding depreciation and financing) for an average family car have increased to £2,435 - a year-on-year increase of £277. This equates to £47 per week, or 20.3p per mile.

### Why the increase?

#### Footing the fuel bill

Over the past year, fuel prices have meant people trying to plan their weekly budget effectively have been hit by a number of unexpected extra costs. Even when oil prices fall, retailers are not following suit quickly enough and motorists are still bearing the brunt of the bill.

#### Depreciation

Due to the current economic climate, not only are less people buying cars leading to supply outstripping demand, getting car credit is also increasingly harder to achieve. As a result, the value of UK motorists' cars is dropping further, with an increase of 35% from 2007 figures.



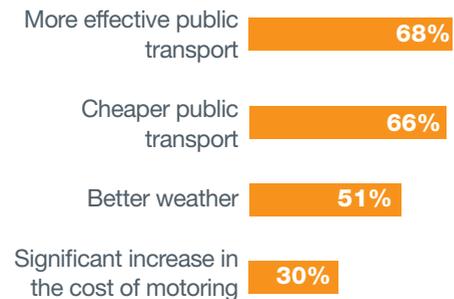
Annual running costs for an average family car

# Section 2

## What motorists tell us

Despite the spiralling cost of motoring, RAC research has found that British drivers and their cars are inseparable.

Many motorists say they would not stop relying on their car unless a number of factors change.



Also, on average drivers would not consider giving up their car until the running costs rose by nearly half again, meaning an increase of around £20 a week.

Costs would need to rise to – £68



Current cost – £47

### Cutting the cost

As a result of depreciation and rising fuel prices, a number of drivers are finding ways to try and cut down on costs.

- Over a third of drivers (36%) are considering buying a car that is cheaper to run than their current model
- A quarter of motorists (25%) now share their car more with friends and family
- 16% are considering buying a second hand car rather than a new car to avoid losing money through depreciation
- A quarter (22%) are considering switching to a smaller car or bike
- Nearly one in five (18%) are considering changing their car for one in a lower insurance category



# Section 3

## Saving money on motoring

There are a number of ways you can cut down on day-to-day running costs. Here are some top tips to get you started.

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- **Drive at an appropriate speed to reduce fuel costs:** Not only does staying at or within the speed limit increase driver safety, it also saves money on fuel costs and reduces CO2 emissions
  - **Less stopping and starting means less fuel use and lower CO2 emissions:** Anticipating traffic flow will reduce fuel consumption
  - **Over-revving accelerates emissions:** Modern car engines are designed to be efficient from the moment they are switched on, so revving up like a Formula 1 car in pole position while standing still only wastes fuel (and money) and increases engine wear
  - **Idling is wasting fuel:** If you're likely to be at a standstill for more than three minutes, simply switch off the engine
  - **Shop around:** Use a fuel comparison website such as [www.petrolprices.com](http://www.petrolprices.com) to find the best priced fuel in your region
  - **Don't get lost:** Don't waste fuel by going the wrong way – plan route before leaving with RAC Route Planner: [www.rac.co.uk/web/routeplanner](http://www.rac.co.uk/web/routeplanner)
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It may be that only one or two of these work for you, but any change is an improvement.



## Conclusion

This year's Cost of Motoring Index shows that since 2007 the cost of motoring has increased by a worrying amount, and it is only likely to increase further over the next year.

Yet the continued reliance on cars that UK motorists have suggests the creeping costs are not going to stop people paying the escalating prices.

The key question is: can the cost of motoring ever come down? RAC's research certainly points to a number of methods drivers are adopting to try and ease the financial burden, but more needs to be done for this to impact on the overall cost.

It will take help from both the Government and retailers to work with each other in helping bring the cost down.

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### RAC calls for:

- **Upfront investment from the Government** to provide a safe, affordable and reliable public transport system that can help incentivise motorists out of their cars
  - **The Government to use fuel duty as a price stabiliser** – so when petrol prices rise, the fuel duty drops in proportion
  - **Fuel retailers to ease motorists' pain at the pumps** by acting more quickly when oil prices fall
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# Appendix

## Research methodology

Redshift carried out consumer omnibus research among 1067 motorists in September 2008.

The calculation of how the cost of motoring has changed since 2007 was carried out for RAC by Go Motoring Ltd.

Changes in the cost of motoring have been calculated using the assumptions and information sources detailed below.

### 1. Depreciation:

This is the amount by which the car falls in value every month. It is calculated by taking the value of the used car away from the cost of the new car, and dividing by a period of time, as forecast by CAP Motor Research Ltd, over three years.

### 2. Finance:

A monthly Personal Contract Purchase (PCP) rental has been calculated based on a 10% deposit over three years, using the Average Transaction Target price and the Future Residual Value.

### 3. Insurance:

The annual insurance cost is calculated by scaling the average yearly premium from the Deloitte Quarterly Motor Report according to the insurance group for each vehicle.

### 4. Service, Maintenance and Repair (SMR):

This is the servicing and repair cost, including wear and tear items, taken over three years.

### 5. Cost of Fuel:

The average petrol and diesel prices have been provided by the Petrol Retailers Association, part of the Retail Motor Industry Federation (RMIF). The combined fuel consumption figures have been provided by Motorconsult.

### 6. Cost of Road Tax:

The Vehicle Excise Duty (Road Tax) is sourced from Motorconsult. The amount depends on the level of CO2 emissions for each vehicle. This has been calculated taking known future increases in to account.

### 7. Cost of RAC Membership:

The RAC membership cost is provided by the RAC, and includes roadside assistance, recovery and homestart.

# About RAC

With around seven million members, RAC is one of the UK's most progressive motoring organisations, providing services for both private and business motorists.



Whether it's roadside assistance, windscreen repair and replacement, learning to drive, vehicle inspections and checks, legal and financial services or up-to-the-minute traffic and travel information - RAC is able to meet motorists' needs. RAC incorporates BSM, RAC Auto Windscreens, RAC Direct Insurance and HPI.

RAC is committed to providing the very highest levels of service to its members and has been ranked first for customer service by J.D. Power and Associates' UK Roadside Assistance Study for the past two years.

Aviva bought RAC in May 2005. The acquisition brings together RAC's powerful brand and customer base with the expertise and leading position in motor insurance of Norwich Union Insurance (part of Aviva). Norwich Union is the UK's largest insurer, insuring one in seven motor vehicles and with a market share of around 15 per cent.

RAC's news releases and a selection of images are available from the internet press centre at [www.racnews.co.uk](http://www.racnews.co.uk).

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