



Running Costs 2017

This AA Running Cost Report provides all-inclusive running costs for petrol vehicles. The information contained in this report is valuable for motorists who use their vehicle for work purposes, employer/employee negotiations, IRD purposes or for businesses applying a mileage rate for customer charging purposes.

The report is broken down in to three sections:

1. Report summary.
2. Report table indicating average annual ownership costs based upon an average distance travelled of 14,000km per year
3. Report chart to show running cost rates for actual annual distance travelled, ranging from 5,000km to 30,000km per year.

For ease of accounting and understanding, the running costs are rounded to whole cents/km.

The **table** for petrol vehicles is separated into four main categories:

- Small: Smallest hatchbacks and city type cars
- Compact: Slightly larger sized sedans, hatches or wagons.
- Medium: Family oriented vehicles, mid-sized SUVs.
- Large: Larger capacity and luxury vehicles and large SUVs up to 3,500kg.

When selecting which category a vehicle falls into, it is paramount to consider the vehicle's size and value, and not the engine size alone.

To use **the chart**, locate your TOTAL (work related + personal) distance to identify how much the vehicle costs to operate over that period. That figure can be applied to your work related distance for a suitable reimbursement rate.

These calculations are based upon the first 5 years of a New Zealand vehicle's life. The fixed costs will reduce as a vehicle ages, primarily because of reduced depreciation.

Employee/employer negotiation may be needed to determine a fair rate for older vehicles if these figures are being used for reimbursement purposes. For example, the fixed costs may need to be adjusted downward, while the day-to-day running costs may require an increase to allow for unforeseen costly mechanical repairs.

All insurance costs assumptions are based upon a 35 year old male driver with full no claims bonus, a fully comprehensive policy including glass cover, and excludes drivers under 25.

Petrol Vehicles

The operating cost calculations are a combination of two components; the fixed costs (registration, insurance warrant of fitness and depreciation) and the flexible costs (fuel and maintenance).

The 2017 running costs for petrol vehicles have increased by 1.9%. This is a moderate change due to many changing factors during the year.

The biggest change is attributed to running costs for small and larger vehicles which have seen increases in their fixed costs. This year there have also been reductions in the price of registration costs. Depending upon the ACC Levy band, there were drops ranging from 46% to 62%.

Prices at the pump fell again this year but, when compared to the year average, the drop in the price of petrol was moderate. On average, motorists were charged \$1.91 per litre. This calculation is based upon 80% of new vehicles using 91 octane. Therefore, for the purpose of this report, we have based our calculations upon an 80: 20 ratio between 91 and 95 octane.

After commodity prices fell to near-historic lows during December 2015 and January 2016, refined fuel prices gradually rose over 50% during the first third of 2016 and then remained fairly stable for most of the remainder of the year, before rising nearly 20% at the end of 2016 due to planned cuts in global oil production. Retail price movements mirrored these changes in commodity prices

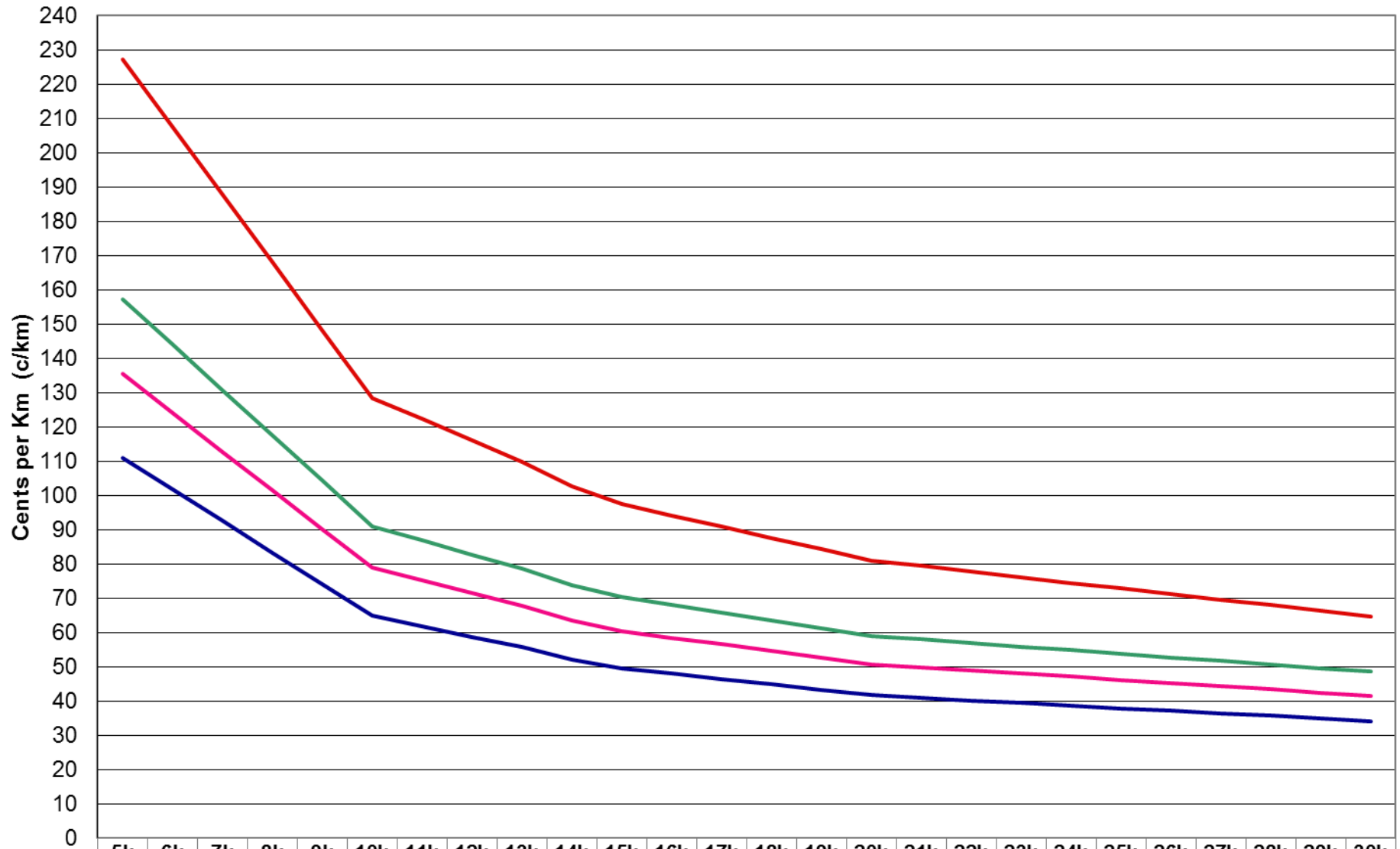
Approximately 25% is the cost of the refined fuel, another 25% covers overhead costs of fuel companies, and the remaining 50% is made up of taxes.

Manufacturers are continuing to develop technologies to reduce consumption (stop start) as well as smaller capacity, turbo charged engines that produce a level of performance that was not achievable before.

(PETROL DRIVEN VEHICLES) ESTIMATED ON 14,000KM PER YEAR FIRST FIVE YEARS OF OWNERSHIP

CAR CATEGORY ENGINE SIZE RECOMMENDED RETAIL PRICE CATEGORY	SMALL 0-1500cc < \$41,000 Small car 0-1500cc (retail price to \$41,000)	COMPACT CAR 1501cc - 2000cc <\$51,000 Compact car 1501cc - 2000cc (retail price to \$51,000)	MEDIUM VEHICLE 2001cc -3500cc <\$73,000 Medium vehicle 2001cc - 3500cc (retail price to \$73,000)	LARGE VEHICLE 3501cc+ <\$110,000 Large vehicle >3500kg 3501cc+ (retail price to \$110,000)
AVERAGE VALUE OF VEHICLE SURVEYED	\$27,384	\$38,884	\$50,679	\$72,748
FIXED COSTS				
Average value at start of third year	\$18,183	\$26,314	\$33,275	\$45,036
Annual relicensing	\$109	\$109	\$109	\$109
Insurance - Comprehensive, No Claim	\$890	\$965	\$1,014	\$1,286
Warrant of Fitness annually for the first six years	\$54	\$54	\$54	\$54
Total Outlay	\$19,236	\$27,443	\$34,452	\$46,485
Interest on outlay	\$654	\$933	\$1,171	\$1,580
Capital Cost (Outlay + Interest)	\$19,890	\$28,376	\$35,623	\$48,065
Depreciation at third year	\$3,091	\$3,786	\$4,408	\$6,992
Depreciation Value	\$15,092	\$22,529	\$28,867	\$38,044
Total Fixed Costs	\$4,798	\$5,847	\$6,756	\$10,021
Fixed Costs per Day	\$13	\$16	\$19	\$27
FLEXIBLE COSTS				
Petrol - Litres used per 100km	5.88	7.26	9.01	11.11
Litres used over 14,000km	823.2	1016	1261.8	1556
Cost of fuel annually at \$1.99/litre	\$1,572.31	\$1,940.56	\$2,410.04	\$2,971.96
Cost of oil	\$84.00	\$84.00	\$84.00	\$84.00
Tyres cost per year	\$273.16	\$372.25	\$427.00	\$544.82
Repairs and Maintenance	\$565.99	\$638.34	\$656.86	\$740.83
Total Running Costs	\$2,495.46	\$3,035.15	\$3,577.90	\$4,341.61
Running Cost per Kilometre	17.8	21.7	25.6	31.0
OPERATING COSTS (fixed cost + flexible cost)	\$7,293.43	\$8,882.21	\$10,334.03	\$14,362.96
OPERATING COSTS (cents per km)	52	63	74	103
Previous Year	50	62	75	100
Percentage difference over last year	4.2%	2.3%	-1.59%	2.59%
Overall cost have changed by	1.9%			

RUNNING COST ESTIMATE OF FIVE YEARS OF OWNERSHIP **PETROL DRIVEN VEHICLES**



Large (c/km)	227	208	188	168	148	128	122	116	110	103	97	94	91	88	84	81	79	78	76	74	73	71	70	68	66	65
Medium (c/km)	157	144	131	118	104	91	87	83	79	74	70	68	66	64	61	59	58	57	56	55	54	53	52	51	50	49
Compact (c/km)	135	124	113	101	90	79	75	71	68	63	60	58	57	55	53	51	50	49	48	47	46	45	44	43	42	42
Small (c/km)	111	102	93	83	74	65	62	59	56	52	50	48	46	45	43	42	41	40	39	39	38	37	36	36	35	34

