

High petrol price undermines interest rate cut

Average households with two car-owning adults will see any benefit from today's cut in interest rates reduced severely by the eight-pence difference between the price of petrol now and when the interest rate was last at 4.5 per cent, says the AA Motoring Trust.

On 5 August 2004, UK petrol prices averaged 81.5 pence per litre, compared to 89.8 pence today. In households with a husband and wife driving their own cars, the monthly cost of petrol in August 2004 was 89.51. This has now risen to 98.63 per month*. The resulting 9.12 hike in monthly petrol costs compares with the 15-a-month saving on the cost of an average 100,000 mortgage from today's rate cut .

"Although lower interest rates will benefit home owners, families who rely heavily on their cars to get to work and everyday trips will still be under intense pressure from high petrol prices. Motorists have it in their power to reduce some of this burden, through their choice of car and the way they drive it," says Ruth Bridger, petrol price analyst for The AA Motoring Trust

"In the long run, the AA Motoring Trust wants fuel duty to be frozen until the cost of car fuel matches what our close European neighbours are paying at the pump. If not, higher car fuel prices drain family budgets, reduces their spending power and hits the economy."

Measures motorists can take include:

- 1/ Stick to the speed limit on motorways instead of driving illegally at over 80mph. This saves 40 pence every 10 miles or a litre of petrol every 20 miles.
- 2/ Moderate the use of air conditioning, which adds 10 per cent to fuel consumption. Air vents may do the job just as well on cooler days, early mornings and in the evening.
- 3/ If they have two cars, families should use the smaller more frugal car for errands and shorter single or two-person trips.
- 4/ With a new registration plate change in September, prospective buyers can choose cars with much better fuel economy. With cars priced up to 10,000, the difference between the most and least economical models is a potential saving on fuel costs of around 12 per week. For cars priced 20,000 to 30,000, the weekly saving is potentially more than 34.**

NOTES TO EDITORS: * The average mileage of a typical privately-owned car is 8,700 miles. Averaging 30 miles per gallon, it consumes 290 gallons or 1318 litres of petrol per year.

** Figures taken from the AA Motoring Trust report: The Cost of Motoring - 2005.

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