

AA Ireland Opening Statement: Tom McIllduff, CEO of The Automobile Association –
Wednesday 23rd March

Dear Members,

Thank you for the opportunity to speak today. The AA is Ireland's motoring organisation. It has acted as a voice for motoring interests and in a leadership role supporting road and progressive transport policies for over 100 years.

We have grown to become one of the largest personal lines insurance intermediaries in Ireland providing Motor, Home and Travel Insurance.

The rising cost of petrol has become one of the most important issues for the motoring consumer right now. The AA Fuel Prices Survey is something the organisation has been doing in Ireland since 1991 and in recent weeks this page is one of the most visited pages on the AA website. This survey has shown the average price of fuel in Ireland grow steadily and we have reached new record prices several times in the last few weeks.

Let me give you some of the key figures and costs that we have found from our research. The average price for fuel in Ireland **currently stands at €1.84 for Petrol and €1.90 for diesel. That is 62 cents per litre more than in 2020 for petrol and 70 cents per litre more than in 2020 for diesel.**

There has been considerable media attention in recent weeks as we passed the €2.00 per litre mark for petrol and diesel, something that has since subsided, in part due to the relief in duties and due to the settling in oil prices internationally.

As I am sure the members of the petrol industry will illustrate, the oil market is very volatile and changeable at the moment, which is something out of the control of our government, and the reality is that the price that Irish customers will pay for fuel is fundamentally determined by global supply and demand economics.

We have seen high oil prices before – back in July 2008, Brent Crude Oil reached a record \$147.50 but 14 years ago the price of petrol at the time was at €1.17 for petrol and €1.09 for diesel, 57% cheaper than today for petrol and 74% cheaper than today for diesel. Inflation of course plays a role, but so do increased taxes and duties.

If we paint a picture of the fuel running costs of the average motorist in 2022, what do we see? **For a start, we know they drive around 17,000km per year in their family hatchback, which probably has a 50-litre fuel tank and currently they are paying €92 for an average fill of petrol or €95 for an average fill of diesel.** In recent weeks, many were paying over €100 per tank, and those driving larger vehicles, whether by choice or necessity (for example a 7-seater) are still paying that.

According to AA Ireland calculations, this means that right now, **the average petrol car owner is spending €2,234 on petrol per year, or €1,900 per year on diesel** The diesel car is likely to go further per tank due to the higher level of efficiency. **In the case of a petrol car, that driver is spending €680 more per year just on fuel than they would have been two years ago, €700 more in the case of the diesel driver. By AA Ireland calculations, for every 20 cents increase in the price of petrol, that adds €240 per year to the annual fuel bill of an average motorist.**

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However, there are measures that motorists can take while driving that can reduce their fuel consumption by moderating their speed. ***For instance, driving at 100km per hour on a motorway can reduce fuel consumption by over 20%, when compared to driving at 120 km per hour as a study we have recently undertaken demonstrates.*** Additionally, ***a tyre underinflated by 10% can reduce your fuel economy by 2%.***

And for those living in urban centres, the alternatives to the car, while not always taken up, are available. Many people in this room have the option to jump on Dublin Bus, the DART, the Luas, or take a Dublin bike in a cycle lane to get to their destination.

The realities for many Irish consumers and indeed AA Ireland customers in less densely populated areas are very different. ***We know that people living in rural areas are much more dependent on their cars and that in many instances simply don't yet have the variety of options that those living in more densely populated areas have.***

This was borne out by CSO statistics from The National Travel Survey which showed that 12% of journeys in densely populated areas were by public transport and in thinly populated areas only 1.7% were made by bus and just 0.2% were made by rail. ***83% of car journeys are made by car in thinly populated areas according to the same data.***

So, for many people, to bring their kids to school, get to work or college, care for relatives, buy groceries or drop kids to activities they simply must use their car and that is becoming an increasingly expensive thing to do because of the costs of fuelling it.

AA Ireland very much welcomes the move to electric vehicles. We are adapting our business all the time to suit this change. For example, In recent weeks we took delivery of several free-wheeling hubs, to be fitted to our patrol vans, which will allow electric vehicles to be recovered more quickly allowing them to be towed by a patrol van.

The future is very much electric, and we are adapting to that. Currently, 12% of new cars sold in Ireland are fully electric and to ***charge an average one at night rate electricity can be as little as €6 for around 400km of driving. Compare that currently with an average petrol car that will cost €50 for the same 400km driving.***

However, the reality in the short term is that, according to data from The Society of the Irish Motor Industry (SIMI), ***the average age of an Irish car is 9 years old - petrol cars are an average of 10.8 years old with an average for a diesel car of 8.3 years.*** Despite state subsidies, the electric car remains out of reach for many.

The reduction in duties on Petrol and Diesel, until August, will be welcomed by every motorist affected by high prices but the longer-term future is uncertain and difficult for anyone in this room to predict. We all want to move to a cleaner, greener automotive future, but increased running costs are certainly impacting a huge proportion of Irish motorists, especially those that simply don't have the wealth of transport alternatives that are open to those in more densely populated areas.

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I would like to thank you again for inviting us to address you today.

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