

PHH Arval



PHH

Reimbursement for Business Use of Personal Vehicles Fuel Price Update – September 2010

A Study prepared exclusively for

The National Joint Council of the
Public Service of Canada

by PHH Business Analytics

September 2010

Fuel Price Update

The National Joint Council establishes reimbursement rates for business use of personal vehicles and periodically considers the impact of changing fuel prices on those rates. Rates were established for 2010 based on a comprehensive review of costs as presented in the “Reimbursement for Business Use of Personal Vehicles Model Year 2010 Update” dated December 2009. This update reflects the impact of recent fuel price changes on the recommendations made in the Annual Update. Current representative fuel prices by Province are given in dollars per litre in the following table. These represent pump prices for regular gasoline for June, July, and August 2010. For reference, fuel pricing from the 2010 Annual Update is also shown.

Fuel prices since the 2010 Annual Update last December have been relatively flat, and changes generally range from a decrease of \$0.028 to an increase of \$0.072 per litre. The relatively constant pump prices are a reflection of ongoing stability in world crude oil prices over the last three months, which were around US\$75/bbl in mid August. The average retail price for regular gasoline during the last week of August 2010 was \$1.000 per litre.

Province/Territory	Current Fuel Price (per litre)	2010 Annual Update Price	Pump Price Change
Alberta	\$0.925	\$0.928	(\$0.003)
British Columbia *	\$1.106	\$1.054	\$0.052
Manitoba	\$0.957	\$0.985	(\$0.028)
New Brunswick	\$0.989	\$0.971	\$0.018
Newfoundland	\$1.103	\$1.089	\$0.014
Northwest/Nunavut	\$1.180	\$1.169	\$0.011
Nova Scotia *	\$1.041	\$1.023	\$0.018
Ontario *	\$1.000	\$0.949	\$0.051
Prince Edward Is.	\$0.995	\$0.988	\$0.007
Quebec	\$1.038	\$1.015	\$0.023
Saskatchewan	\$0.997	\$0.991	\$0.006
Yukon	\$1.146	\$1.074	\$0.072

In general, fuel prices must change by approximately \$0.047 per litre in order to affect a change of \$0.005 per kilometer in the reimbursement rate. Pump prices for this update are \$0.020 per litre higher on average than those for the 2010 Annual Update, which resulted in little change in the recommended reimbursement rates.

New tax rates went into effect on July 1 in British Columbia, Nova Scotia, and Ontario, and the recommended reimbursement rates are based on a combination of June fuel prices at the new tax rates and July and August actual prices. The overall price per litre used for this update in those three provinces is \$1.179, \$1.050, and \$1.027, respectively.

Reimbursement Impacts

In developing operating costs, the current average pump price is combined with typical vehicle fuel economy to derive the contribution of gasoline to the per-kilometer operating cost. In order to account for the severe operating conditions prevalent in the Territories, we have adjusted the vehicle fuel efficiency in computing fuel expenses for these locations. Our computations continue to reflect an 80% increase in the rate of fuel consumption on a litres per 100 kilometers basis.

Based on these updated fuel prices, recommended reimbursement rates are essentially unchanged from the 2010 Annual Update, with adjustments indicated in all locations. The following table shows our recommended reimbursement schedule based on current fuel prices, along with those for the 2010 Annual Update.

Location	Commuting	Travel	2010 Annual Update Values Commuting / Travel
Alberta	\$0.140	\$0.515	\$0.140 / \$0.515
British Columbia *	\$0.175	\$0.520	\$0.160 / \$0.510
Manitoba	\$0.140	\$0.475	\$0.145 / \$0.480
New Brunswick	\$0.150	\$0.495	\$0.145 / \$0.495
Newfoundland	\$0.170	\$0.530	\$0.165 / \$0.530
Northwest	\$0.260	\$0.580	\$0.260 / \$0.575
Nova Scotia *	\$0.160	\$0.510	\$0.160 / \$0.505
Nunavut	\$0.260	\$0.580	\$0.260 / \$0.575
Ontario *	\$0.160	\$0.550	\$0.155 / \$0.545
Prince Edward Island	\$0.150	\$0.500	\$0.150 / \$0.500
Quebec	\$0.165	\$0.565	\$0.160 / \$0.560
Saskatchewan	\$0.150	\$0.460	\$0.150 / \$0.460
Yukon	\$0.260	\$0.605	\$0.245 / \$0.595

For both the Commuting and Travel reimbursement rates, the changes from the 2010 Annual Update (reported in December 2009) were all either no change, or an increase of \$0.005 per kilometer in the provinces with the exception of Manitoba where they decreased by \$0.005 and British Columbia where the Commuting rate increased by \$0.015 and the Travel rate increased by \$0.010. The Commuting rate was unchanged in Northwest/Nunavut and increased by \$0.015 in the Yukon Territory. The Travel rates for Northwest/Nunavut increased by \$0.005 and increased by \$0.010 in the Yukon Territory. Note that rate changes for the Commuting and Travel rates are not necessarily the same. When rounded to the nearest half-cent, the change in the contribution of gasoline costs to overall vehicle costs results in slightly different rounded total rates.