



Transit Savings Grow As Auto Costs and Gas Prices Increase

Key Takeaways

1. **Riders can save more than \$13,000 per year by using public transit** instead of driving, according to the latest information on public transit fares, auto costs, and gasoline prices.
2. Significantly increased costs to purchase and finance cars make transit an even more effective way to save.
3. Since 2019, **the average cost of purchasing new cars has increased 30 percent**. The **cost of purchasing used cars has increased even more—40 percent**. Supply chain issues and inflation continue to impact car prices. Recent strikes at three U.S. auto manufacturers could exacerbate these cost increases.
4. In 2023, **gasoline prices have increased 25 percent** because of restricted oil supply, China's economic reopening, and the war in Ukraine.
5. At the same time, monthly **public transit fare prices have not increased** since 2020.

Increases in auto and fuel costs mean that people can save more than before by using public transportation instead of driving. Prices for new and used cars have increased significantly since the pandemic, and financing costs have increased dramatically due to interest rate hikes. In 2023, gasoline prices have increased 25 percent because of constricted supplies and added demand.

Rising New and Used Automobile Prices

Since 2019, the average transaction price of purchasing a new car has risen by more than \$11,000, an increase of more than 30 percent. For used cars, the average price has risen over \$8,000, or 40 percent.

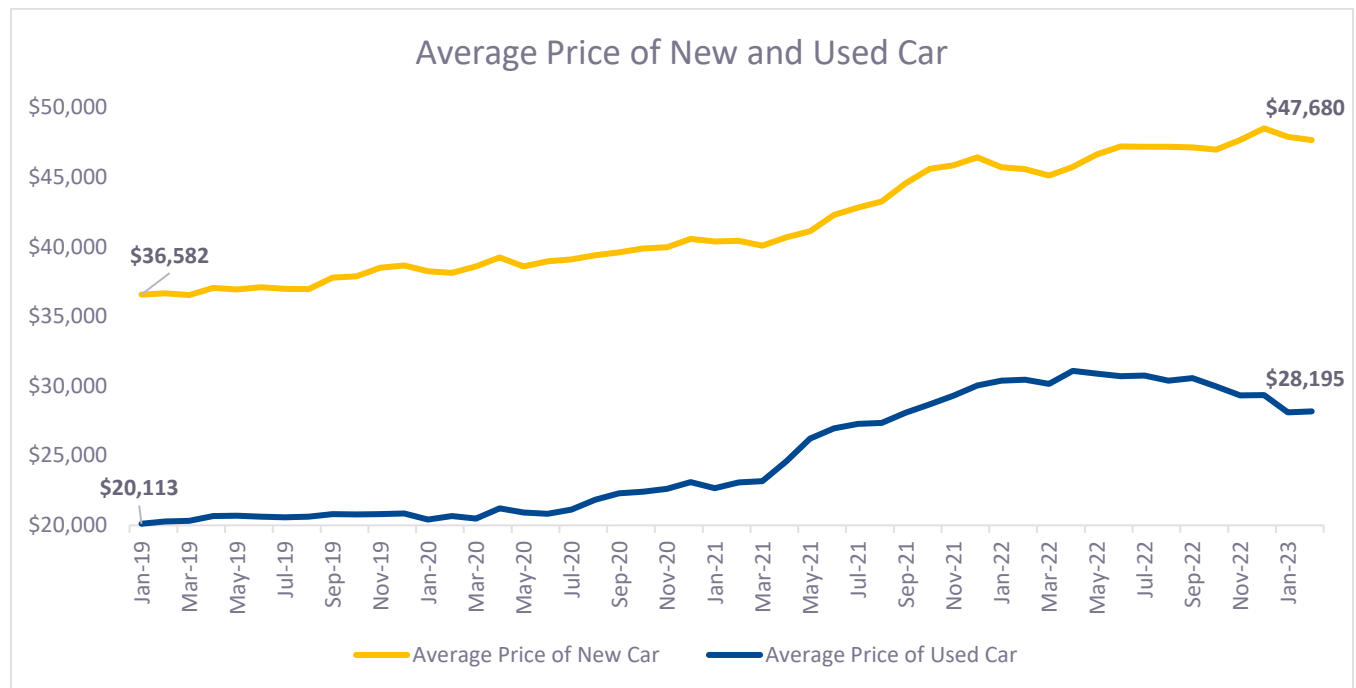
There are two main factors causing the rapid increase in prices. First, supplies for car manufacturers, such as microchips, have been scarce since the start of the pandemic, and new cars can require thousands of them.¹ Worldwide production of chips slowed, and ports closed for periods of time. These and other supply-chain disruptions significantly reduced chip availability. The extremely limited vehicle supply has caused a global rise in prices for new cars.

Second, inflation worldwide is limiting the ability of consumers to afford a car. Suppliers worldwide have higher input costs, such as diesel fuel, shipping, labor, and logistics costs, that are passed to manufacturers. These higher costs have forced manufacturers to increase their prices. Inflation has also affected interest

rates. In 2022 and 2023, the Federal Reserve increased the federal funds interest rates to tackle inflation. The Federal Reserve is holding the benchmark in a range of 5.25 percent to 5.5 percent after 11 hikes in the past 18 months. However, the Federal Reserve is expected to increase rates again later this year.² These Federal Reserve rate increases are often reflected in bank loan rates for cars and other consumer goods. Higher interest rates have dramatically increased the price of financing a new car, hurting affordability.

The increase in new car prices and financing costs have had a knock-on effect on used car prices. With record-breaking new car prices, people have turned to the used car market for more affordable prices. This has a multiplying impact on used car prices. Demand has increased, while availability of used cars has decreased as fewer new cars are purchased and owners are not selling their older vehicles.

This graph illustrates the trends of new and used car prices since January 2019:³



Consumers are facing more than just increased used car purchase prices; they are also grappling with elevated mileage and the resulting additional wear and tear that affects used vehicles across all price ranges. These vehicle conditions result in more frequent required maintenance. The premium amount that consumers are paying above the pre-pandemic prices is higher for vehicles with lower mileage. On average, the cost of purchasing a used vehicle with less than 100,000 miles was 45 percent higher in 2023 compared to 2019. Higher-mileage vehicles also command a premium. Vehicles with 100,000 to 150,000 miles are selling for 40 percent more, and vehicles with 150,000 to 200,000 miles cost 28 percent more than in 2019.⁴ Thus, consumers are paying a premium even for high mileage, used vehicles.

Rising car prices are affecting the ability to afford a car, but other costs such as gasoline prices are also having an impact.

Rising Gasoline Prices

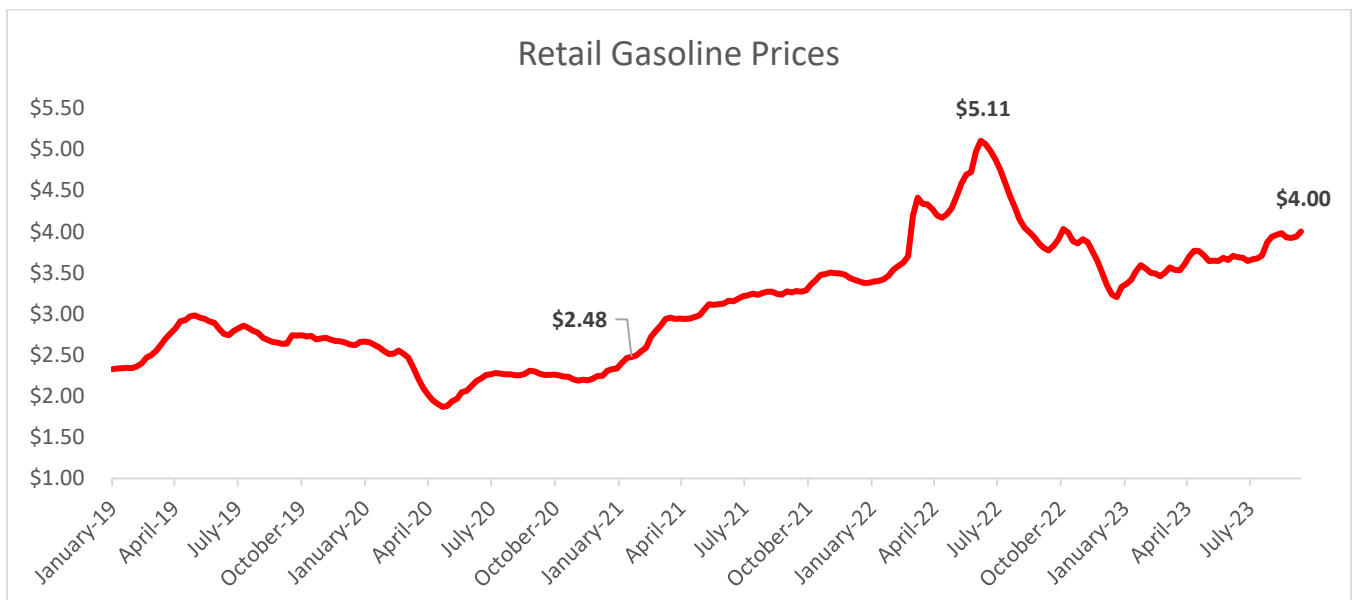
2022 brought the most significant surge in gasoline prices ever recorded, primarily due to increased demand and U.S. and European sanctions on Russian energy imports because of the Russian invasion of Ukraine. After peaking at \$5.11 per gallon in mid-2022, gas prices declined for the remainder of the year to \$3.20 per gallon. **In 2023, gas prices have risen 25 percent to \$4.00 per gallon, as of September 18, 2023.**⁵

Today, there are three main factors that are influencing the rising trend in gasoline prices. First, the Organization of the Petroleum Exporting Countries plus other oil-producing countries (OPEC+) announced in April 2023 that member states would voluntarily cut oil production by 1.6 million barrels per day, in addition to the two million barrels per day reduction agreed upon last year.⁶ In June, OPEC+ announced that member states would extend production cuts by a further 1.4 million barrels per day through the end of 2024.⁷ In July, Saudia Arabia (commonly sourced as the world's largest oil exporter) made a voluntary commitment to reduce oil production by at least one million barrels per day. The outcome of these supply restraint decisions creates a demand for oil and is a cause for the 10 percent increase in gasoline prices since the start of July.⁸ According to Saudia Arabia's Ministry of Energy, Saudia Arabia's voluntary cut will continue through at least December 2023.⁹

Second, China has reopened more of its economy and lifted many prior COVID-19 restrictions. The country's earlier COVID restrictions resulted in slowed economic activity, and many citizens remaining at home. As China's 1.4 billion citizens resume their pre-COVID day-to-day lifestyles, worldwide demand for fuel will increase.

Last, the ongoing war in Ukraine continues to impact fuel prices worldwide, though less acutely than in 2022. Russia is one of the world's major oil exporters, and the sanctions increased costs within the global energy markets. However, the historic uptick in prices from the start of the war in 2022 had decreased significantly by December of the same year, but as the war continues, supply will remain an issue.

This chart illustrates the trend of U.S. All Grades All Formulations Retail Gasoline Prices since January 2019:¹⁰



Public Transit Saves Money

Riders can save more than \$13,000 per year by using public transit instead of driving because of significant increases in auto costs and gasoline prices. According to APTA's Fare Database, monthly public transit fare prices have not increased since 2020.¹¹ Consumers can save even more by using public transit than in prior years.

The table below compares public transit fares in 20 cities to the costs of owning and operating a car in AAA's *Your Cost of Driving 2023*¹² as well as downtown parking prices. Depending on the city, people can save between \$12,000 and almost \$17,000 per year by using public transit. **On average, the savings are \$13,218 annually or \$1,102 per month.**

Potential Savings from Using Public Transit Top 20 Cities by Ridership

City	Monthly Savings	Annual Savings
San Francisco	\$1,403	\$16,837
New York	\$1,377	\$16,527
Boston	\$1,310	\$15,714
Seattle	\$1,265	\$15,181
San Diego	\$1,244	\$14,929
Chicago	\$1,219	\$14,631
Los Angeles	\$1,219	\$14,629
Honolulu	\$1,218	\$14,612
Philadelphia	\$1,198	\$14,380
Portland	\$1,192	\$14,298
Houston	\$1,127	\$13,522
Minneapolis	\$1,120	\$13,441
Baltimore	\$1,110	\$13,319
Washington, DC	\$1,101	\$13,217
Denver	\$1,084	\$13,010
Miami	\$1,083	\$13,000
Phoenix	\$1,046	\$12,552
Las Vegas	\$1,035	\$12,422
Dallas	\$1,028	\$12,334
Atlanta	\$1,026	\$12,306
National	\$1,102	\$13,218

Sources

- ¹ Shaughnessy, [How Supply-Chain Issues Affect Buying a Car in 2023](#), MarketWatch Guides (March 31, 2023).
- ² Picchi, [Federal Reserve Pauses Interest Rate Hikes-For Now](#), CBS News (September 20, 2023).
- ³ Hickey and Matthews, [This is One of the Worst Times to Buy a Car in Decades. Here's Why](#), CNN Business (April 2, 2023).
- ⁴ [Used Vehicle Report Q2 2023](#), Edmunds (August 28, 2023).
- ⁵ [U.S. All Grades All Formulations Retail Gasoline Prices](#), U.S. Energy Information Administration (September 2023).
- ⁶ Dahan, Lawler and Ghaddar, [Saudi Pledges Big Oil Cuts in July as OPEC+ Extends Deal into 2024](#), Reuters (June 4, 2023).
- ⁷ Helhoski and Smith, [Why Did Gas Prices Go Up?](#), Nerdwallet (September 18, 2023).
- ⁸ Natter and Dlouhy, [Rising US Pump Prices Fuel GOP Attacks, Foreshadowing 2024 Blitz](#), Bloomberg Government (August 17, 2023).
- ⁹ Reed, [Saudi Arabia and Russia Extend Oil Production Cuts Through December](#), The New York Times (September 5, 2023).
- ¹⁰ [U.S. All Grades All Formulations Retail Gasoline Prices](#), U.S. Energy Information Administration (September 2023).
- ¹¹ [2022 Public Transportation Fare Database](#), American Public Transportation Association (January 2023).
- ¹² [Your Driving Costs](#), AAA (August 30, 2023).

The American Public Transportation Association (APTA)

The American Public Transportation Association is a nonprofit international association of 1,500 public- and private-sector organizations that represents a \$79 billion industry that directly employs 430,000 people and supports millions of private-sector jobs. APTA members are engaged in the areas of bus, paratransit, light rail, commuter rail, subways, waterborne services, and intercity and high-speed passenger rail. This includes transit systems; planning, design, construction, and finance firms; product and service providers; academic institutions; transit associations and state departments of transportation. APTA is the only association in North America that represents all modes of public transportation. APTA members serve the public interest by providing safe, efficient, and economical transit services and products.

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APTA Vision Statement

APTA leads public transportation in a new mobility era,
advocating to connect and build thriving communities
