

## Car allowances

While many firms provide cars to their full-time travelers, hundreds of corporations have converted to a policy whereby employees use their own cars on company business.

To reimburse employees who use their cars on company business, various methods for computing the allowances are used.

**FLAT MILEAGE ALLOWANCE:** Many companies give a flat allowance per mile, plus allowances for other charges, such as tolls, parking, etc. The advantage of the flat mileage allowance system is its simplicity. It involves a minimum of bookkeeping and office control. The disadvantage is that it frequently results in over-payment or under-payment compared to actual costs.


**WEEKLY ALLOWANCES:** Some companies use reimbursement schedules based on the number of miles driven per week and the type of driving. It more accurately reflects operating costs, but can be applied only to cars operated more or less constantly on company business.

### Runzheimer and Company

Runzheimer and Company, Runzheimer Park, Rochester, Wisconsin 53167, is a management consulting firm whose services include statistical reports that accurately measure costs of transportation, taxes, meals, lodging and housing. Their service on automobile standard allowances is now used by more than 600 business firms and governmental agencies in the United States and Canada whose combined fleets cover over 150,000 drivers. Employees under this service receive individual allowance schedules which are the basis of accurate reimbursement of car expenses by their companies.

Organizations operating fleets of ten or more cars should contact Runzheimer directly if they wish to learn of the greater accuracy that individual schedules provide and which the cost chart in this booklet cannot offer. Firms with fewer than ten cars may find the national averages in the cost chart a helpful guide with their car allowance program.

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# YOUR DRIVING COSTS

## 1977 EDITION

HOW TO FIGURE:

- Operating costs for private passenger cars
- Allowances for cars used on company business
- Economy of compact cars
- Vacation travel costs

PLUS: GAS-SAVING TIPS

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## Itemizing Car Expenses

The cost of car ownership breaks down into two categories: Variable and fixed.

Variable, or running costs include gas and oil, maintenance and tires. They are directly related to the number of miles driven, the type of driving (city, flat country, mountains) and how much is spent on service and repairs.

Fixed costs include insurance, license and registration fees, use and property taxes and depreciation. Though they may vary from car to car and from place to place, they are established by agencies and business conditions beyond the control of the car owner and they change little with the amount and type of driving.

### Variable Costs

**GAS AND OIL:** The best way to determine your gas and oil operating costs is to develop your own figures. Here is an example of how to do it:

Tank filled	.....	odometer reading:	8850
Buy gas 9.7 gallons	.....cost \$ 6.30	.....odometer:	9008
Buy gas 9.9 gallons	.....cost \$ 6.33	.....odometer:	9168
Buy gas 10.7 gallons	.....cost \$ 7.05	.....odometer:	9343

TOTAL: 30.3 gallons .....cost \$19.68

Miles driven:	9343	
	<u>-8850</u>	
	493	
Miles per gallon:	<u>493</u>	= 16.3
	30.3	

Cost of gas per mile:  $\frac{\$19.68}{493} = 3.99$  cents

Oil consumption, though not a major expense, also varies and should be figured in the same way. But remember to add the cost of every oil change.

For example, a typical motorist may have the oil changed every 3,000 miles—less often if his car is a recent model. One or two quarts of oil may be added between changes. Simply add what you spend on oil during the year, divide the total by the number of miles driven and add this amount to your variable costs. Generally, the cost of oil represents approximately three per cent of the cost per mile for gasoline.

While the most accurate figures are obtained by keeping a record each time you buy gas or oil, it may be sufficient to make the test several times during the year. However, if you normally drive in the city, don't wait until you go on a trip to make the test. Mileage on the open highway is better than in traffic. Make the test under the conditions you normally encounter.

**MAINTENANCE:** Expenses for tune-ups and other maintenance items depend largely on the age of the car. The newer it is, the smaller these expenses probably will be. However, even a car under warranty requires regular checkups and service. Money saved by neglecting needed service and repairs will usually show up in the form of increased depreciation. This can be prevented by following the maintenance schedule outlined in the owner's manual.

The only way to determine accurately the cost of maintenance is to keep a record of all expenditures. It's a good idea to keep a small notebook in the glove compartment for this purpose. If you don't want to bother with this chore, you can use the 1.03 cents per mile from the cost chart, but remember that this is an average developed for intermediate size cars and represents only routine maintenance.

**TIRES:** If the car is driven with reasonable care and the wheels are kept properly aligned, tire wear will be kept to a minimum. On the other hand, over or underinflation, high speeds, hard cornering, rapid acceleration and quick stops all contribute to fast tire wear and increased costs of car operation. While it's best to keep a record of your tire purchases, you can use the average of 0.66 cents per mile from the cost chart.

### Fixed Costs

**INSURANCE:** There is nothing uniform about insurance premiums. The costs depend on the amount of coverage, where you live and the purpose for which the car is used. To determine insurance costs, simply add the premiums of all policies you carry that are directly related to car operation, such as property damage and liability, comprehensive and collision.

**LICENSE, REGISTRATION FEES AND TAXES:** These are payments usually due once a year. No two states use exactly the same schedules. Merely determine what you spend for license and registration and add the total to your fixed costs. Taxes, such as property or use taxes, should be treated in the same way. Sales or excise taxes which are paid only when the car is bought should be considered a part of the total purchase price and not be prorated in calculating annual operating costs.

**DEPRECIATION:** This is the largest single expense in owning a car. It is the difference between what you paid for it and what you would get in a trade-in or resale. Depreciation also is the most difficult to determine. Cars depreciate at different rates, depending on their appearance, mileage on the odometer and the demand for your particular model at the time you want to dispose of it.

One method the average motorist might use to figure depreciation is to determine the cash outlay necessary to replace his car with a new one in the same price class and with the same optional equipment.

## Details Of Car Costs

Here is a breakdown of the national average cost figures computed by Runzheimer and Company for a 1977 intermediate-size Chevelle, 8 cylinder (305 cubic inch) Malibu Classic four-door sedan equipped with standard accessories, automatic transmission, power steering, power disc brakes and radio.

Variable Costs	Average per mile
Gasoline and oil .....	4.11 cents
Maintenance .....	1.03 cents
Tires .....	.66 cents
	5.80 cents

Fixed Costs	Annually
Comprehensive insurance (\$50 ded.) .....	\$ 80.00
\$100 ded. collision insurance .....	188.00
Property damage and liability (\$100/300/25M) .....	250.00
License, registration, taxes .....	74.00
Depreciation .....	847.00
	\$1,439.00
	(or \$3.94 per day)

For air conditioning, add .20 cents per mile and \$.20 per day.

For financing, add in a daily amount to match the value of the interest over the life of the loan. If, for example, you trade in your car, you might borrow \$3,000 at a 10.5% rate of interest for 48 months. Your total interest payment would be \$687.36, or 47 cents per day.

For mileage in excess of 15,000 annually, an additional depreciation allowance of \$36 per thousand should be added to the fixed costs.

The gas and oil amount reflects the purchase of unleaded gasoline in accordance with the manufacturer's recommendations.

The depreciation amount of \$847 is an average annual figure based on car trade-in value of the Chevelle Malibu Classic at the end of four years or 60,000 miles, whichever point occurs first. This is approximately the most economical service period during which the car is expected to deliver the greatest overall cost economy.

Using the above figures, it should be easy to compute annual driving costs. For example, the average motorist drives about 10,000 miles a year, which results in the following approximate costs:

10,000 miles @ 5.80 cents .....	\$ 580.00
365 days @ \$3.94 .....	1,439.00
	\$2,019.00
	(or 20.2 cents per mile)

*15,000 @ 17.9*

In contrast, a car driven 20,000 miles a year would cost:

20,000 miles @ 5.80 cents .....	\$1,160.00
365 days @ \$3.94 .....	1,439.00
5,000 miles @ \$36/Thousand .....	180.00
	\$2,779.00
	(or 13.9 cents per mile)

## Figure Your Car Costs

FIXED COSTS	Yearly Totals
Depreciation (divide by number of years of ownership) .....	_____
Insurance .....	_____
Taxes .....	_____
License & Registration .....	_____
<b>TOTAL FIXED COSTS</b> .....	_____

### VARIABLE COSTS

Gas & oil per mile .....	_____
Number of miles driven ..	_____
Cost per year (multiply miles driven by gas & oil per mile) .....	_____
Maintenance (Use your own figures or Runzheimer figure, page 4, multiplied by miles driven) .....	_____
Tires (See note for maintenance) .....	_____
<b>TOTAL VARIABLE COSTS</b> .....	_____
<b>OTHER COSTS</b> (Car wash, repairs, accessories, etc.) .....	_____
<b>TOTAL DRIVING COSTS PER YEAR</b> .....	_____
<b>COST PER MILE</b> (Divide yearly total by total miles driven) .....	_____

**ECONOMY OF COMPACTS:** The money-saving appeal of smaller cars—both domestic and foreign—is revealed by these figures developed by Runzheimer and Company for 1977 models.

The figures for low cost and high cost areas shown below apply to small towns or rural locations and to large metropolitan areas, respectively. They are indicative of the cost ratio between car categories throughout the nation.

	Sub-Compact (4 cylinder)	
	Per Day	Per Mile
Low cost area .....	\$2.95	3.85¢
High cost area .....	\$4.91	4.85¢
	Compact (6 cylinder)	
	Per Day	Per Mile
Low cost area .....	\$3.05	4.60¢
High cost area .....	\$5.07	5.55¢
	Intermediate (8 cylinder)	
	Per Day	Per Mile
Low cost area .....	\$3.17	5.25¢
High cost area .....	\$5.27	6.25¢
	Standard Size (8 cylinder)	
	Per Day	Per Mile
Low cost area .....	\$3.63	5.20¢
High cost area .....	\$5.94	6.50¢

"Per day" costs include \$50 deductible comprehensive, \$100 deductible collision, \$100/300/M Public Liability, \$25M Property Damage, state taxes and registration fees, and depreciation.

"Per mile" costs include gasoline, oil, maintenance and tires.

Based on 10,000 miles driven annually, the total costs are as follows:

	Low Cost Area	High Cost Area
Sub-compact .....	\$1,462.00	\$2,277.00
Compact .....	\$1,573.00	\$2,406.00
Intermediate .....	\$1,682.00	\$2,549.00
Standard Size .....	\$1,845.00	\$2,818.00

Thus, the per mile costs are:

	Low Cost Area	High Cost Area
Sub-Compact .....	14.6¢	22.8¢
Compact .....	15.7¢	24.1¢
Intermediate .....	16.8¢	25.5¢
Standard Size .....	18.5¢	28.2¢

#### RULE OF THUMB

With gasoline becoming more and more expensive, it may be well to remember that for every 10 cents per gallon increase in the price of gas, the per mile cost of running a car increases by one cent, if the car delivers 10 miles per gallon, or one-half cent if the car delivers 20 miles per gallon.

### Vacation Expenditures

Though vacation expenditures depend on personal preferences, regions traveled and individual means, lack of planning can mean the difference between a successful vacation and one hurriedly cut short for lack of funds.

For an automobile vacation trip, two people should plan on spending \$26 per day for meals (not including alcoholic beverages and tips), \$27 per day for lodging and \$5 for gas and oil for every 100 miles of travel, with the car averaging 15 miles per gallon.

Many establishments have a family plan under which a small additional charge is made for a third or fourth person occupying a room. An average of \$3 per person per day generally is charged, but may be less for children if they are within the age limit set by the management.

The suggested daily budget for meals (\$26) and lodging (\$27) would vary depending on the locality. In small towns or villages, these costs might be 30 per cent lower, while in large metropolitan areas they could easily be 30 per cent higher.

Areas which are primarily winter or summer resorts have higher rates during the main season and lower rates during the off-season.

In addition to food, lodging and car operation, there will be expenditures for souvenirs, amusements, admissions to places of interest, recreation, retail purchases, and so on. Road and bridge tolls, depending on the routing, also would be an expense. A contingency fund for emergencies should be included in the vacation budget.

Here are some tips on stretching the vacation dollar:

Plan your day so you can stop early in the area of your choice. This will give you a wider selection of accommodations at a price you want to pay without sacrificing quality.

Meal costs can be reduced by occasionally picnicking along the way. All states have roadside rest areas with picnic facilities.

Visit travel attractions that offer you something worthwhile for your money. Avoid tourist traps.

Money can be saved by avoiding toll roads, following alternative routes instead. More often than not, you'll see more scenic wonders.

If possible, plan your trip in the spring or autumn, avoiding peak travel seasons when roads and overnight accommodations are crowded and prices high.

Consult your local AAA travel counselor for specific advice and guidance on getting the most for your money.

### Gas Saving Tips

Because of the rising cost of gasoline, getting the most fuel economy is of importance to every car owner today. Here are some of the items that affect the miles per gallon you get from your car:

Weight is the most important. Gasoline mileage is reduced by one to two per cent for every 100 pounds of added weight.

An air conditioner weighs approximately 100 pounds. When it is running, gas mileage decreases by nine per cent to as much as 20 per cent with stop-and-go driving in hot weather.

The automatic transmission can reduce fuel economy up to 15 per cent. Power steering, power brakes, power seats, power windows and power sunroofs use varying amounts of energy as they are operated and all add weight to the car.

Radial tires generally produce better gas mileage than normal bias ply tires. Underinflated tires reduce fuel economy. They also wear down at the edges. However, overinflation cuts tire contact with the road, thus creating a safety hazard. Manufacturers' recommendations should be followed carefully.

High speeds increase gasoline consumption. Observe the 55 mph speed limit.

Proper maintenance, including regular tune-ups, increases gasoline mileage and minimizes any losses caused by emission control devices.

Fast acceleration and hard braking use about 15 per cent more gas than accelerating and braking gradually. It's best to drive at steady speeds, avoiding unnecessary speedups and slowdowns, anticipating stoplights, slowing down gradually, and keeping idle time to a minimum.