

Car Allowances

While many firms provide cars to their full-time travelers, thousands 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 and parking. 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 overpayment or underpayment compared to actual costs.

WEEKLY ALLOWANCES: Some companies give a flat dollar allowance per week or per month. It can be applied only when cars are operated more or less constantly on company business, and even then it results in overpayments or underpayments compared to actual costs.

Relationship of Actual Cost to Business Reimbursement

The per-mile rates in this pamphlet represent the national average of owning and operating a car for a year. Inasmuch as employees using their own car on company business also use the same car for personal driving, reimbursement usually does not amount to 100 percent of total cost.

Runzheimer and Company

Runzheimer and Co., Runzheimer Park, Rochester, Wisconsin 53167, a management consulting firm, provides services to accurately measure costs of transportation, taxes, meals, lodging and housing. Their service on automobile standard allowances is now used by more than 700 business firms and governmental agencies in the United States and Canada with combined fleets covering over 170,000 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 10 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 10 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

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



Helping America stay on the move.

Details of Car Costs

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

Variable costs—gas and oil, maintenance and tires—are directly related to the number of miles driven.

Fixed costs—insurance, license and registration fees, depreciation, use and property taxes—generally are one-time annual expenditures which are determined more by the kind of car you drive and where you live than by how much you drive.

This booklet is designed to help you figure out what it costs to own and operate a car. If you don't want to keep detailed records, you may use the national average figures on the next page. If you are interested in knowing precisely what you are paying, there is an easy-to-follow explanation of the costs and a chart for you to use in logging your personal expenditures.

Fluctuating gasoline prices occurring during the year must be taken into consideration when figuring car operating expenses. For every 10 cents per gallon increase in the price of gasoline, 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.

The American Automobile Association is a tax-paying, nonprofit federation of motor clubs with 976 club offices and branches serving more than 21.5 million members throughout the United States and Canada.

AAA was founded in 1902. Its scope of operation has two basic purposes: first, to provide its members with a wide range of auto-and travel-related services and, second, to work in behalf of the best interests of the motoring and traveling public through legislative and educational activities.

The National Average

Here is a breakdown of national average costs computed in December 1980 by Runzheimer and Co. for a 1981 Chevrolet, 6-cylinder (229 cu.in.) Malibu Classic 4-door sedan with standard accessories, automatic transmission, power steering, power disc brakes and radio, driven up to 15,000 miles per year. Gasoline costs are based on \$1.30 per gallon. Insurance is based on a pleasure use category where the vehicle is driven less than 10 miles to or from work and there is no youthful operator.

Variable Costs	Average per mile
Gasoline (unleaded) and oil	6.27 cents
Maintenance	1.18 cents
Tires	.72 cents
	<u>8.17 cents</u>

Fixed Costs	Annually
Comprehensive insurance (\$100 ded.)	\$ 76.00
\$250 ded. collision insurance	180.00
Property damage and liability (\$100/300/50M)	254.00
License, registration, taxes	88.00
Depreciation	1,287.00
Finance charge (20% down; loan @ 15%/4 yrs.)	\$490.00
	<u>\$2,375.00</u>
	(or \$6.51 per day)

While some fixed costs are the same even if the car remains parked in the garage, the more you drive the less the per-mile cost will be. Conversely, a reduction in mileage will raise the per-mile cost.

Add-ons:

Air conditioning: .15 cent per mile and 20 cents per day.

Depreciation for excess mileage: \$44 per thousand miles over 15,000 annually. (The \$1,287 is an average based on trade-in at the end of four years or 60,000 miles, whichever comes first. This is the period during which the car is expected to deliver the greatest economy.)

Average Annual Driving Costs

Based on the figures above, the motorist driving 15,000 miles a year would pay:

15,000 miles @ 8.17 cents	\$1,226.00
365 days @ \$6.51	2,375.00
	<u>\$3,601.00</u>
	(or 24 cents per mile)

The same person driving 10,000 miles a year would pay:

10,000 miles @ 8.17 cents	\$ 817.00
365 days @ \$6.51	2,375.00
	<u>\$3,192.00</u>
	(or 31.9 cents per mile)

Figuring Your Own Expenses

The best way to determine your car costs is to develop your own figures. Here is how to do it:

Variable Costs:

Gas and oil—Start with a full tank and record the mileage on the odometer. From then on, record the number of gallons needed to refill the tank, the cost and odometer reading. For example:

Tank filled	odometer	8850
Buy 9.7 gallons	cost \$12.60 ..	odometer 9044
Buy 9.9 gallons	cost \$12.80 ..	odometer 9242
Buy 10.7 gallons	cost \$13.60 ..	odometer 9456
TOTAL: 30.3 gallons ..	cost \$39.00	miles 9456
		- 8850
		606

Miles per gallon: $606 \div 30.3 = 20$

Cost of gas per mile: $\$39.00 \div 606 = 6.4$ cents

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

Maintenance—Expenses for tune-ups and other maintenance depend on the age of the car. Even a car under warranty requires regular checkups and service. Money saved by neglecting needed service and repairs will show up in the form of increased depreciation.

To determine accurately the cost of maintenance, keep a record of all expenditures. It's a good idea to have a notebook in the glove compartment for this purpose. At the end of the year, total the costs and divide by the number of miles driven. Add the total to variable costs.

Tires—Driving with reasonable care, with wheels properly aligned will keep tire wear to a minimum. On the other hand, overinflation or underinflation, high speeds, hard cornering, rapid acceleration and quick stops contribute to tire wear and increased costs. Keep a record of your tire purchases and add to variable costs.

Fixed Costs:

Insurance—Add the premiums of all policies directly related to car operation: property damage and liability, comprehensive and collision.

License, registration fees and taxes—These are usually once-a-year costs which you add to your total fixed costs. Sales or excise taxes paid when the car is bought are part of the purchase price and should not be included.

Depreciation—Basically, this is the difference between what you paid for your car and what you sell it for. To arrive at your annual depreciation expense, subtract the trade-in value of your car from the purchase price and divide by the number of years you plan to keep the car.

Finance charge—If you finance the purchase of your car, the annual interest charges should be included in the fixed costs.

Use This Space to Compute Your Own Annual Driving Costs

Fixed Costs

Yearly Totals

Depreciation (divide by number of years of ownership)	_____
Insurance	_____
Taxes	_____
License & Registration	_____
Finance Charge	_____
TOTAL FIXED COSTS	=====

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 3, multiplied by miles driven)	_____
Tires (See note for maintenance)	_____
TOTAL VARIABLE COSTS	=====

OTHER COSTS (Car wash, repairs, accessories, etc.)

TOTAL DRIVING COSTS PER YEAR

COST PER MILE (Divide yearly total by total miles driven)

Economy of Compacts

The money-saving appeal of small cars—domestic and foreign—is revealed by these figures developed by Runzheimer and Co. for 1981 models.

Figures for low-cost and high-cost areas apply to small towns or rural locations and to large metropolitan areas, respectively.

	Low-Cost Area		High-Cost Area	
	Per Day	Per Mile	Per Day	Per Mile
Subcompact (4 cyl)	\$4.76	5.70¢	\$5.89	7.45¢
Compact (6 cyl)	\$5.59	6.85¢	\$6.66	8.75¢
Intermediate (6 cyl)	\$6.12	7.45¢	\$7.38	9.85¢
Standard (8 cyl)	\$6.45	8.80¢	\$7.62	11.45¢

“Per day” costs include \$100 deductible comprehensive, \$250 deductible collision, \$100/300/M public liability, \$50M property damage, state taxes, registration fees, depreciation and finance charge. All insurance is based on a pleasure use category where the vehicle is driven less than 10 miles to or from work and there is no youthful operator.

“Per mile” costs include gas, oil, maintenance and tires. Based on 15,000 miles annually, total costs are:

	Low-Cost Area	High-Cost Area
Subcompact	\$2,592	\$3,267
Compact	\$3,068	\$3,743
Intermediate	\$3,351	\$4,171
Standard	\$3,674	\$4,499

Thus, the per-mile costs are:

	Low-Cost Area	High-Cost Area
Subcompact	17.3¢	21.8¢
Compact	20.5¢	25.0¢
Intermediate	22.3¢	27.8¢
Standard	24.5¢	30.0¢

Vacation Expenditures

For an automobile trip, two people should plan on spending \$44 per day for meals (not including cocktails and tips), \$44 per day for lodging and \$7.50 for gas, oil, etc. for every 100 miles of travel, with the car averaging 20 miles per gallon.

Many establishments have family plans whereby a small additional charge is made for a third or fourth person occupying a room. An average of \$5 per person per day is charged, but may be less for children within an age limit set by the management.

The suggested daily budget for meals (\$44) and lodging (\$44) varies depending on the locality. In small towns or villages, these costs might be 25 percent lower, while in large metropolitan areas they could easily be 75 percent higher.

In addition to food, lodging and car operation, there will be expenditures for amusements, admissions to places of interest,

recreation and shopping. Road and bridge tolls, depending on the routing, also are an expense. A reserve for emergencies should be included.

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 picnicking along the way. All states have roadside rest and picnic areas.
- Visit travel attractions that offer you something for your money. Avoid tourist traps.
- Avoid toll roads, follow alternative routes.
- 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 greatest fuel economy is important. Here are some items that affect your gasoline mileage:

- Weight is the most important. Gasoline mileage is reduced by 1 to 2 percent for every 100 pounds of added weight.
- An air conditioner weighs about 100 pounds. When it is running, gas mileage decreases by 9 percent to as much as 20 percent with stop-and-go driving in hot weather. However, recent research shows that open windows may create an aerodynamic drag on the car, thus costing fuel efficiency.
- The automatic transmission can reduce fuel economy up to 15 percent. 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. Manufacturer's 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.
- Fast acceleration and hard braking use about 15 percent more gas than accelerating and braking gradually. Drive at steady speeds, avoid unnecessary speedups and slowdowns, anticipate stoplights, slow down gradually and keep idle time to a minimum.