



Variable vs. Fixed Costs of Driving

Posted by [Glenn](#) on May 2, 2006 - 9:21pm in [The Oil Drum: Local](#)

Topic: [Demand/Consumption](#)

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Starts and Fits has a [great piece](#) on the percentage of cost that gas represents as part of the total cost of operating the average vehicle in a given year. This has very important implications for how people will respond economically to changes in gas prices.

...on an annual basis, the cost of gasoline is nothing compared with the cost of capital depreciation on your car. Here are the numbers from AAA's latest survey of the annual costs of car ownership:

\$3,392 -- depreciation
\$1,425 -- gasoline (@ last year's 2.40 a gallon)
\$926 -- insurance
\$735 -- maintenance
\$716 -- auto loan finance charges
\$150 -- tires
\$490 -- other
\$7,834 -- total

So gasoline accounts for a mere 18% of the annual cost of owning a car. Judging by the public outcry over \$3 gasoline, you'd expect that gas prices are 85% or so. So why is everyone so obsessed with gasoline prices? Why doesn't congress propose giving rebates for auto insurance or for auto depreciation?

Read the whole thing [here](#) and then comment on what policies you think would help increase the price elasticity to gasoline prices.

A few thoughts that come to my mind are making insurance costs based on the number of miles you drive instead of being a fixed monthly cost no matter how much you drive. One company [Zipcar](#) is making the whole car driving experience a variable cost by the hour or day.



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