EFFICIENT FUEL

PURCHASING

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The unsettling news is that fuel prices continue to consume the largest portion of a motor carrier's operating expenses. Fuel is a large, necessary and ongoing expense that if not strictly controlled, gives carriers little leeway to continue functioning profitably, if at all.

Diesel prices seem to go up and down faster than a playground teeter-totter, leaving the carrier in a lurch as to how to budget fuel expenses for the foreseeable future. Sure, for the most part prices have been down recently, but it only takes a troubling event elsewhere in the world, whether it be an economic recession or military conflict, to send oil prices — and subsequently diesel prices — spiraling upward almost without notice. And for an industry that consumed 52.7 billion gallons of fuel in 2013 — 37 billion of which was diesel — an increase of just one penny creates a big hit to the bottom line. One survey says that a tractor-trailer can consume $70,000 worth of fuel in a year.

The good news is that there are programs to help carriers gain the upper hand on fuel management issues so carrier executives can spend less time worrying about miles per gallon and more time concentrating on their primary mission of economically and safely moving their customers' freight from Point A to Point B.

For carriers not now actively involved in a fuel management program, there are several issues to consider.

Depending on how the fleet is structured and what its business model might be, the carrier may conduct 100 percent of its fueling at retail locations. If it's an over-the-road fleet, the carrier's trucks will be stopping at the major truck stops across the country. If it's a smaller fleet, the carrier may be fueling at large convenience stores that carry both gasoline and diesel. Or, the carrier may have a 10,000- or 20,000-gallon depot tank at its terminal and are mostly fueling there.

For those carriers that have all or some subset being purchased at retail outlets, there are likely fuel management solutions of which they are not taking advantage.

NEGIOTIATED DISCOUNTS OFFER A SAVINGS OPPORTUNITY WITH LARGE TRUCK STOPS.

One would be negotiated discounts with the larger truck stop chains, so rather than paying the posted retail price, the carrier has the opportunity to pay a discounted rate.

The other advantage would be fuel optimizing — by carefully choosing when and where the carrier fuels. For example, for carriers going into California through Nevada, it makes sense for them to stop in Nevada before they go into California. Recently, diesel on Interstate 80 in Sparks, Nevada, was selling for $3.649 a gallon. Some 122 miles down I-80 in Sacramento, California, diesel was selling for $3.939 a gallon, a price difference of 29 cents a gallon.

As part of a carrier's fuel management program, fuel management professionals would perform a study on the carrier's primary routes and plan an "in-network" list of truck stops where the carrier has negotiated discounts, and drivers would be instructed to use those truck stops. The carrier's fuel card would work at any truck stop, but Fuel Advisors sets up alerts and reporting features that tell a fleet manager which drivers are adhering to directives and which are not. There may be a reason why drivers are using out-of-network truck stops, but the alerts give the fleet manager the opportunity to ask questions such as, "Is this a driver training issue, do we need to modify our in-network location list, how do our purchases compare to the national Department of Energy average?"

A fuel management program gives a fleet manager all the data needed to make efficient fuel purchasing decisions. Fleets can get reports by driver or by terminal. Maybe a carrier has 10 different terminals and eight of those terminals are performing well and the other two are not managing fuel costs well. Data from fuel management professionals will help fleet managers make recommendations to bring those two terminals into compliance with company standards.

For carriers, the beginning of a fuel management program would include providing an analysis of how the carrier is handling fuel purchases today. The analysis might look at 10 different routes the carrier is running, show the carrier how their purchases compare with the DOE average, show them the most cost-efficient locations along those routes to purchase fuel and show the carrier potential costs savings, whether it be $1,000, $2,000, $3,000 a month — or even more — and that can equate to upwards of $360,000 a year.

For companies with bulk fuel tanks, a fuel management program will manage inventory levels. Take, for instance, a company that has the capacity to not buy fuel for a while. A fuel management program will enable a carrier to hold off on purchasing bulk fuel until the tank is either going to run out or the market has bottomed out by carefully monitoring utilization on any given day of the week and any hour of the day. That often allows the company purchasing the fuel to take advantage of anywhere between a 2- and 20-cents savings a day. Multiply 20 cents by 8,000 gallons, and it's easy to see why a solid fuel management strategy is important.

Fuel management program advisors will work with suppliers the carrier is already using and if the company has a very limited base of suppliers, the program can introduce the company to additional suppliers, all to ensure the carrier gets the best price possible.

Since fuel is a very complex and volatile product, its purchase must be different than that of everyday staples such as bread and milk.

With fuel, there are all kinds of federal, state and local taxes and there are underground storage fees that can make the bulk price of fuel vary — sometimes slightly and sometimes greatly — depending on where it is purchased. What's more, if one supplier happens to have more fuel than they are allowed to store, they may have to temporarily lower the price because they have more fuel coming down the pipeline from the refinery. And by using multiple suppliers instead of just having a "go-to" supplier, fleets can take advantage of competition.

Fuel Advisors is a fuel management program that offers all of the services necessary for a transportation entity, whether public or private, to maximize fuel efficiency. The program, a service of WEX Fuel Management, is tailored toward helping entities that need help managing fuel issues, whether it be retailers who are selling the fuel or fleets that are using the fuel.

The program's reach is expansive, entailing 250 petroleum carrier relationships, 30,000 retail and wholesale fuel sites tracked and 30 billion gallons of fuel replenished each year.

With the Energy Information Administration of the Department of Energy now forecasting little change in diesel and gasoline prices well into 2015, it's easy to see why a fuel management program is a must to ensure a fleet's profitable bottom line. And a profitable bottom line is REALLY good news.

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