

Transport Topics **Online**

Last Year's Diesel-Price Nightmare Teaches Fleets to Diversify Options in Buying Strategies to Cut Costs

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Diesel prices have dropped almost 50% since record levels last year, but fleets continue to work on cutting fuel costs, one of their largest expenses.

In the past, relying on one tool or technique may have been sufficient, but in the market today, carriers say they are combining many methods to ensure they save every possible penny.

From using fuel optimization software and tracking the futures market to setting specific fuel card parameters, many fleets are creating a check-and-balance system that, when put together correctly, lets them buy smarter. Some fleets are also employing new products and changing driver habits to maximize fuel efficiency.

"Fuel is now our No. 1 cost in our organization, even more than labor, and there is such uncertainty around it," said Roger Placzek, vice president of sales and marketing for deBoer Transportation, Blenker, Wis.

To help minimize that uncertainty for the fleet's 450 tractors, Placzek said he relies on telematics and fuel-optimization software to track purchases.

"We're able to be more competitive when we're dealing with bids and proposals for our customers," he said.

Placzek uses TMW Systems' fuel optimization software — IDSC Expert Fuel — which overlays fueling locations with a fleet route and combines that with available networks and discounts to determine how much a trucker should buy at specific locations.

Since beginning to use Expert Fuel, Placzek has been buying less fuel on contract and more on the open market.

"The loss of the volume incentives has been outweighed by the advantages we're incurring in buying off the retail market," he said.

Fuel optimization software allows fleets to narrow purchases even if they have a contract with a chain.

"Within a chain, prices can vary 50 to 75 cents based on location and on the traffic volume at the truck stops," said Chris Lee, marketing director at ProMiles, a fuel optimization software provider in Bridge City, Texas. Locations farther away from refineries and racks typically have higher prices.

ProMiles also allows users to select other truck stop services, such as parking or dining, to make the most of the stop.

"The fewer stops you make, the more you maximize the fuel purchase," Lee said.

Optimization software allows fleets to price fuel net of taxes. Although higher fuel taxes in one state may make it seem like a driver is paying more at the pump, it will lower overall cost over time since fleets pay fuel taxes based on where they run.

"A price of \$2.50 at one location could be less when you factor out taxes than a location that says \$2.40 at the pump," said Ben Murphy, vice president of optimization studies for TMW Systems, Beachwood, Ohio.

However, carriers that use an optimizer need to make sure the recommendations they receive are accurate.

"We see optimizers that should work in theory but make recommendations that aren't in the best interest of the fleet," said Brad Simons, president of Pathway Network, Simons Petroleum.

Jim Guldán, chief financial officer at J&R Schugel Trucking, said the company doesn't use fuel optimization software for its 650 tractors, but instead purchases the majority of fuel with one vendor to obtain volume discounts and then tracks revenue and expenses to determine more accurate pricing for customers.

J&R Schugel relies on activity-based costing and profitability management software provider Transportation Costing Group, Rockville, Md., which provides tools to help fleets portray fuel costs, revenue and profitability for individual customers, specific lanes, shipments or even certain times of the day.

"The name of the game is to be current and accurate so that you can measure what the costs are. If you can't measure what the costs are, you can't manage them," said TCG President Ken Manning.

Guldán also works with J&R Schugel's Comdata fleet fueling card to create a restricted network for drivers.

As part of its services, Comdata, Brentwood, Tenn., works with customers to analyze the fueling network, examine past pricing information and determine the best stops for the fleet. "If you don't have a fuel optimizer, you are forced to look at the historical data and then factor in the discounts to find the locations with the best prices," said Tim Hampton, Comdata's vice president of sales for the central region and vice president of energy services.

Hampton said fleets can set parameters so drivers are able to purchase fuel only at locations where they have secured discounts.

"This is ultimately a management decision for each business, but there is money to be saved by consolidating gallons, negotiating discounts and locking down your fuel card to a limited network," Hampton said.

Rich Steckclair, vice president and general manager of universal sales for fuel card provider Wright Express, said fleets can combine the benefits of the cards with telematics devices that draw on Global Positioning System data to help fleets find the most convenient fueling locations.

"If you're spending five minutes driving out of the way to save four cents on a gallon of fuel, the math doesn't work," Steckclair said.

Wright Express uses Web-based fuel calculators with mapping tools to direct drivers to the best fueling locations. If a driver buys fuel outside of his or her parameters, Wright Express alerts the fleet. Fleets also can use fuel cards and telematics to track driver behavior, eliminate fraud, improve routing and reduce speeding, all of which add up to greater savings and increased driver productivity.

“There is an endless list of checks and balances you can put in on that card,” said Glen Sokolis, president of the Sokolis Group, a fuel management and consulting company in Warrington, Pa. Fleets can limit the time of day, days of the week and how many gallons a driver can purchase — but Sokolis warns fleets not to set it and forget it.

“You still need to look at the physical transactions to make sure they make sense,” Sokolis said. He also advised fleets to review every fuel invoice to ensure the price quoted is the price charged.

Optimization software and historical data can help fleets determine where to fill up based on the direction prices are heading. When prices are increasing, fleets can shift purchases to locations that don’t move as many gallons, because their prices will rise more slowly.

“When prices are dropping quickly, you look for those locations that move a lot of fuel because they get shipments faster,” Murphy said.

Bulk fuel purchases may save fleets a few cents per gallon, Sokolis said, but he recommends that fleets factor in infrastructure and maintenance costs to arrive at the true price.

“Some fleets might spend a huge amount of capital to put storage tanks in, but they’ll never get a return on what they invest,” he said.

Sokolis noted that he recently helped a client in Florida to price tanks that needed to be replaced because of a change in environmental regulations.

“Between the cost of the tank, the construction and how much fuel they use, it would take them over 20 years to get a return, let alone if anything goes wrong or there are government changes that require them to change the tank,” he said.

Buying in bulk also ties up capital.

“If you take a load of 7,500 gallons of fuel at \$3 a gallon, you’ve got \$22,500 of capital sitting in the ground that it might take you three weeks to get through,” Sokolis said

Fleets that benefit from buying in bulk and operating their own fuel islands still need to monitor how much fuel is received and dispensed. Fleet asset-management company EJ Ward, San Antonio, monitors inventory and fueling for its clients.

The company offers passive or active tracking of fleet vehicles with its telematics device, the CANceiver, to track odometer readings, maintenance needs, acceleration and braking patterns and more.

“What we are pulling off of the engine-control module is critical to how the fleet manages their fuel dispensing and how much fuel is being used on the vehicle,” said Troy Goldhammer, EJ Ward’s chief operating officer.

The company’s active tracking allows real-time information, while passive tracking occurs when a fleet fuels.

“With passive you have significant savings because you don’t have the monthly fees you would with a cellular network,” Goldhammer said.

In addition to buying smarter through software and telematics, fleets are also trying to buy less and reduce nonrecoverable fuel surcharge miles.

“When things get tough, you have to start focusing hard on your costs,” said Steve Graham, vice president of purchasing at Schneider National.

Schneider has worked on reducing idling, limiting out-of-route miles and minimizing the number of miles between delivering one load and picking up the next one.

Improving overall fuel economy is one more way fleets can improve their bottom line. EJ Ward works with PressurePro tire pressure monitoring systems to improve mileage and reduce tire wear through proper inflation.

“We can provide data in real time to tell them they have a low-pressure reading on a tire sensor, and that data can be transmitted at the fuel control terminal or through the cellular network,” Goldhammer said.

EJ Ward’s system can dispense a limited amount of fuel or prevent fueling altogether if im-proper tire pressures haven’t been corrected.

Fleets also could turn to Evans Waterless Heavy Duty Thermal Coolant, which the company said improves fuel economy by 3%. Mike Tourville, general manager of Evans Cooling Systems, Sharon, Conn., said that figure is verified by the Type II Fuel Consumption Test conducted by the Program for Advanced Vehicle Evaluation at Auburn University.

“The coolant expands the en-gine’s capabilities and enables the fan to come on less, draw less horsepower and save fuel,” Tourville explained.

Don Cox, co-owner of Parke Cox Trucking in St. George, Utah, has taken several steps to reduce fuel use, including installing Airtabs on the fleet’s 50 tractors and nearly all of its 100 trailers. Airtabs are small, wishbone-shaped attachments that create a controlled swirl of air designed to reduce wind resistance.

“We first tested them a year ago on a couple of trucks. It wasn’t a scientific test, but we noticed an increase in the fuel economy and decided to add them to the fleet,” Cox said.

He said that adding the Airtabs, slowing the trucks down to 67 mph and experimenting with low-rolling-resistance tires has boosted the fleet’s fuel economy by half a mile to the gallon — but he’d like to do even better.

“Our goal is to get to seven miles per gallon. Right now we’re at six and a half,” Cox said.