

PLAN NOW: Making a buck when diesel costs double, PG. 40

Exclusive:
Derek
Kaufman
on trucking's
next 10 years

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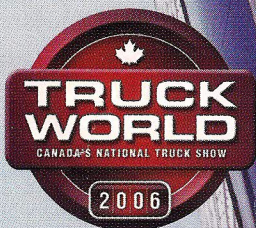
SPECIAL ISSUE:



Everything you need to know about the toughest environmental rules trucking has ever faced including DPFs, ULSD, and what another pre-buy means to you, PG. 50

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Fuelproof YOUR Fleet

MONEY and TIME-SAVING
diesel-management
techniques. **BY DUFF McCUTCHEON**

RECENT RECORD-SETTING FUEL PRICES UNDERSCORE THE NEED TO IMPLEMENT SOME KIND OF FUEL-MANAGEMENT PROGRAM TO TRACK PRICES AND LOOK FOR SAVINGS. AND FLEETS THAT HAVE SUCCESSFULLY IMPLEMENTED THESE PROGRAMS HAVE BEEN REWARDED WITH BIG SAVINGS—UP TO SEVEN FIGURES IN SOME CASES. *TODAY'S TRUCKING* OFFERS A FEW THINGS TO CONSIDER BEFORE STARTING A FUEL MANAGEMENT PROGRAM.

APPOINT A FUEL MANAGER

There are human resources managers, maintenance managers, dispatch managers, yet few fleets have a dedicated fuel manager—surprising considering fuel is usually the second highest operating cost behind labor.

"The first thing a fleet should do is appoint a fuel manager, either a full-time or a part-time position depending on fleet size," says Charles Campbell, president of the North American Technology Company, a fuel-management services provider and author of the *Fuel Purchase Management Handbook*. "Someone who can help form and shepherd a fuel-management plan along, act as a go-to person for staff and drivers needing fuel-purchase information, as well as act as the contact between the fleet and outside fuel suppliers."

Mario Tetrault is Group Robert's fuel-purchase manager and every morning he finds himself scanning the business pages

so he can plan his daily fuel purchases.

"I check the fuel pricing each morning before I schedule my [fuel] loads for the day. If I see the price of heating oil futures going down, I reschedule my load so I can buy tomorrow instead." He usually buys around two to three truckloads a day to keep the 100,000-liter Boucherville yard tanks topped up with diesel.

He says by monitoring prices from day to day, and rescheduling fuel deliveries accordingly, he helps save the company more than \$100,000 a year.

SET UP A NETWORK

Another job for the fuel manager and an integral part of a successful fuel purchase program is to set up a limited network of truck stops and fueling stations in a company's operating area and ensure drivers stick to it.

"Fleets need to look at where they're operating, their lanes, and then select



stops that are cheap, or relatively cheap, day in, day out and establish a network," says Campbell. How many stops you need will depend on your operation. If you're maxed out on weight and can't take on more than 50 gallons at a time, then obviously you need more stops—maybe every 100 miles to be safe. Others might need only 85 stops—400 miles apart.

And beware of creating a network based on price alone. If the fuel prices are great, but the amenities are dismal, you're

Fuel

going to have some disgruntled drivers. Similarly, if the stop is 15 miles off the highway, the cut-rate diesel might not be worth it if your driver has to go cross-country to get to it.

Jon Sigurdson, former fuel manager at Winnipeg's Bison Transport, says his company took a rational approach when they created their fuel network. They split up the entire continent into regions, looked at the composition of the fleet, the size of fuel tanks and how far a driver could go between fueling stops, and managed to cut down their network of 150 stations to around 30 across Canada.

"We increased our tank sizes from 200 gallons to 300. And we spent a lot of time educating our drivers, explaining the benefits of a more closed network. We send out regular updates to our drivers about where they should be fueling and why."

The upshot? "It's garnered seven-figure savings. You see it in your fuel cost per liter and comparing that against a published national average—that's what we do. And the more you beat that by, the better you're doing."



NETWORKED NOZZLES: Cut back on the number of fueling stations in your fuel network and watch the savings grow.

EX-TAX PRICING

Ex-tax pricing—taking all taxes out of the pump price to get the true cost of fuel—is the only way to properly evaluate and compare diesel prices.

Is 98-cent-a-liter diesel in Alberta a better buy than \$1-a-liter diesel in Saskatchewan? It certainly seems like it on its face. The reality? Saskatchewan's the better buy.

"If you look at the actual cost of fuel, minus the tax, it's actually cheaper in Saskatchewan because in Alberta only nine cents of that fuel price is tax, so 98 cents per liter actually translates into a

true cost of 89 cents per liter; whereas in Saskatchewan, where there's 15 cents in tax per liter, the true cost would be 85 cents per liter," says Sandy Johnson, a partner with Calgary's Total Trucking Management Ltd.

FOLLOW UP

Once you've got a fuel-purchasing program set up, you have to go back and review things, usually on a quarterly basis, says Campbell. Things to review include market conditions, changes in fuel taxes, and truck stop pricing shifts. And be sure to get feedback from your drivers—are they satisfied



with the network? Are the stops clean, do they have showers, friendly staff, etc?

"We don't recommend changing your network more than once every six months, and even then you don't want to make any wholesale changes," says Campbell. "It's probably best to do it yearly, though you have to be able to take action if you discover a problem—say, a pricing problem at a particular location—and then try to renegotiate, or even move the stop if need be."

And most importantly, you have to continually market the program—especially in an industry where every year you have 30 to 40 percent of your drivers new to the company.

"We market it in our monthly newsletter, we market it through our orientation program, and we have a macro dedicated to it that highlights the benchmarks that we're trying to hit," says Sigurdson. "We also give quarterly updates to each driver that shows how they did. Did they reach the incentive? If they didn't we provide tips on how to improve fuel economy."

There are a lot of factors to go into a successful fuel-management program, but

considering that diesel is literally the lifeblood driving your business—and expensive lifeblood at that—it's definitely worth the effort. You'll see the savings in the longhaul.

SAVINGS R US

We know getting at the true cost of fuel involves taking the government's share out of the equation, but apparently there's more to it than that—up to six cents a liter, if you factor in the 20 minutes or so it takes to fuel your vehicle, the time it takes to pull off the road to the diesel pump, and your drivers' wages while refueling.

That's the pitch from Langley, B.C.-based 4Refuel (formerly Mini-Tankers Canada), a fuel-management company that will come fuel your fleet when your trucks are idle. With franchises in most major cities across Canada, 4Refuel targets regional and P&D delivery operations, charging \$5 to \$30 a month per truck, depending on fleet size, to keep the diesel tanks topped up.

It also offers fuel management technology and expertise—using wi-fi readers

installed on the trucks to track refueling information, as well as an individual truck's fuel consumption data, gathering information on a truck's idling time, over-revving, speeding, and odometer readings.

"We put all that information in the data warehouse and we've created a whole bunch of exception reports, according to the clients' own fuel management benchmarks," says Jack Lee, CEO, 4Refuel. "For example, with idling time—30 percent idling time is standard with stoplights, etc, so they benchmark that number and input that number into their own 4Refuel fuel management page over the Internet.

"Every time they pick up fuel, or pass by wi-fi gates going into the yard, any truck over that 30 percent figure will automatically send an email to the designated person. People deal with the reds on their emails and they deal with whatever truck is generating the exceptions. Then you can drill down to the detail of that particular truck. You achieve 30 percent? Set the benchmarks lower and see what happens. It's trend management as opposed to micromanagement." ▲

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