

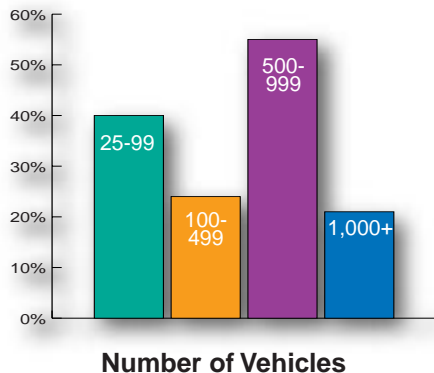
Managed Fuel Programs Can Add Up To Big Savings

By Gene Allen

This concludes a series of articles that *AF* hopes has been an enlightening trip through the pros, and not so many cons, of managed fuel programs. It's time for a summation and perhaps the final ammunition you require to present to senior management, for implementation of a managed fuel program at your facility.

As stated in an earlier *AF* article (June 2001), cash reimbursement is used by many fleets of all sizes.

Trying to operate a fleet within a budget without control of fuel purchasing is almost impossible. With fuel prices fluctuating every day, only tight day-to-day controls with complete and accurate record keeping will provide savings.



Percent of fleets without a managed fuel program using cash reimbursement based on fleet size.

Cash reimbursement is the least effective and least controllable method of handling fuel purchases, while also being the most costly, and that's why we chose to use it as our example to illustrate the potential savings in switching to a managed fuel program. The following information will provide you a platform on which to work out your expenditures and show the savings possible with managed fuel for your fleet.

Let's Examine the Missing Pieces of the Fuel Management Puzzle

In order to prove our point on the validity of managed fuel, some computations are in order. By completing the following questionnaire, the estimated cost as well as the potential savings of a managed fuel program *can* be calculated.

FuelSave Calculator™	
Average Price of Fuel per Gallon: For the current average in your area click here.	<input type="text"/>
Number of vehicles:	<input type="text"/>
Avg. # of fill-ups per vehicle per week:	<input type="text"/>
Avg. # of gallons to fill up a vehicle:	<input type="text"/>
Est. % "Slippage" (unauthorized fueling/purchases):	<input type="text"/>
# of drivers you employ:	<input type="text"/>
Avg. driver hourly wage:	<input type="text"/>
Minutes your drivers spend per week on receipts:	<input type="text"/>
Cost to process each receipt:	<input type="text"/>
Card fee (per month):	<input type="text"/>

Source: Wright Express

To calculate your fleet's fuel profile, just log onto: www.Fleet-Central.com/fuelcalculator/ and complete the brief questionnaire.

- The first thing is to grab an average cost per gallon for fuel. The accompanying fuel price chart can be used to give you an idea of the average cost of fuel for your area of operation.

Let's use a price per gallon from Minneapolis, MN, of \$1.585 per gal. at the time of capture, for this exercise.

WEX Index National Average Retail Fuel Prices August 31, 2001

City	Unleaded	Diesel
Atlanta, GA	\$ 1.260	\$ 1.328
Boston, MA	\$ 1.483	\$ 1.556
Chicago, IL	\$ 1.633	\$ 1.624
Dallas, TX	\$ 1.334	\$ 1.419
Denver, CO	\$ 1.453	\$ 1.470
Detroit, MI	\$ 1.506	\$ 1.525
Houston, TX	\$ 1.309	\$ 1.330
Los Angeles, CA	\$ 1.562	\$ 1.637
Memphis, TN	\$ 1.303	\$ 1.410
Miami, FL	\$ 1.406	\$ 1.504
Minneapolis, MN	\$ 1.585	\$ 1.487
New Orleans, LA	\$ 1.292	\$ 1.366
Philadelphia, PA	\$ 1.451	\$ 1.539
Phoenix, AZ	\$ 1.338	\$ 1.507
Portland, OR	\$ 1.554	\$ 1.587
San Francisco, CA	\$ 1.802	\$ 1.789
Seattle, WA	\$ 1.560	\$ 1.559
St. Louis, MO	\$ 1.381	\$ 1.388
Washington, DC	\$ 1.618	\$ 1.711

Source: Wright Express® August, 2001 — 97 Darling Avenue, South Portland, ME 04106, www.wrightexpress.com, or (800) 395-0812.

The WEX Index tracks the average retail fuel prices across the country.

- The second entry is the number of vehicles in your fleet. Let's say you have 300 vehicles in your fleet that use unleaded gasoline for our example.
- Next, how about the average number of gallons per fill-up and the number of fill-ups per week? Let's estimate two fill-ups per week. The average vehicle (not including trucks with dual tanks) holds about 19 gallons of fuel. Most people fill up at a 1/4 tank, so let's say that you fuel twice a week at 14.25 gal. per fill-up.
- Slippage is a nasty word with a

lengthy explanation, but a quick spin is "unauthorized fueling and/or purchases." Slippage runs at a rate of about 9.8% for vehicles based at a corporate facility and runs as high as 14.6% for vehicles taken home by the employee. So for this entry, let's assume a fleet where the employees take the vehicles home and we'll use 14.6% as the slippage factor.

- How about the number of drivers employed and using your vehicles? Let's assume you have 300 drivers, one each for the vehicles previously listed.
 - What is the average wage per hour of those 300 drivers? Low as it may seem, let's use \$10.00 per hour as their average wage.
 - How many minutes do you feel your drivers expend per week on receipts? Again, let's say 10 minutes per week (which is the national average).
 - What is the average cost to process a receipt? Statistics show it cost about 50 cents per receipt.
 - For our purposes, consider a \$2 per month card fee is in effect.
- Now comes the math. By entering this simple information into the fuel calculator, the estimated expense and savings can easily be found.

Let's Look at the Savings for Our Example

At this point you should be able to see from the example what the savings are. Refer to the following information for an example of a fleet of 300 vehicles profile when using the procedure we've outlined.

FuelSave Report™	
FuelSave Inputs:	
<i>Average Price of Fuel per Gallon:</i>	.....\$1.59
<i>Number of Vehicles:</i>	.....300
<i>Average Number of Fill-ups per week for a vehicle:</i>	.....2
<i>Average Number of Gallons to Fill up a vehicle:</i>	.....14.25
<i>Est. Slippage (unauthorized fueling & purchases):</i>	.....14.60%
<i>Number of Drivers You Employ:</i>	.....300
<i>Average Driver Hourly Wage:</i>	.....\$10.00
<i>Minutes Your Drivers Spend per week on Receipts:</i>	.....10
<i>Cost to Process each receipt:</i>	.....\$0.50
<i>Card Fee (per month):</i>	.....\$2.00
FuelSave Calculations:	
<i>Estimated Annual Fuel Cost:</i>	.....\$704,691.00
<i>Est. Number of Receipts That You Process in a Year:</i>	.....31,200
<i>Annual Cost to Process Receipts (est. at \$0.50 per receipt):</i>	.....\$15,600.00
<i>Estimated Annual Slippage:</i>	.....\$102,884.89
<i>Total Driver Hours Spent Each Year on Receipts:</i>	.....2,600.00
<i>Annual Cost to Company for Driver to Complete Reports:</i>	.....\$26,000.00
<i>Total Yearly Fueling Expense:</i>	.....\$849,175.89
Estimated Annual Fleet Savings:	.....\$144,484.89
Annual Card Fees:	.....\$7,200.00
Estimated Total Fleet Savings:	.....\$137,284.89
Savings Percentage:	.....17.01%
Savings Per Gallon:	.....\$0.32

Source: Wright Express

For our example, the estimated total fleet savings is \$137,284.89 or 17.01 percent. This represents a total saving of \$0.32 per gallon.

Where Do the Savings Come From?

Savings come from the reduction or elimination of administrative time and expenses associated with fueling your vehicles. The largest percentage of the savings comes from the elimination of slippage through positive, *at-the-pump* control, and don't forget the time lost searching for the best-priced fuel in the area. Since a managed fuel card is normally accepted at nine out of 10 stations available to your drivers, the additional savings that come from station availability and your being able to direct your drivers to the lowest cost fueling station in their area, can add up to big savings.

For example, if your drivers have a set route, it is easy to program their routes to take complete advantage of the best fuel prices in their area.

Then of course there is the convenience of complete and accurate record keeping and report availability with no additional expended effort or expense on your part.

There Are More Savings to Be Had With These Programs

- If you could reduce your average price per gallon by 3 cents through use of your vendors' buying power, how much more would you save annually?
- If you could cut even 10 minutes a trip from your drivers' time in looking for a better price for fuel, how much could you save annually at \$10 per hour?
- If you go back to your computations, you'll see savings are there for the taking; all you have to do is take the first step toward a managed fuel program.


Payment of the fuel bill can be negotiated at the time you sign up for a managed fuel program, and can be structured in many formats to best suit you.

Best of all, you make one payment per month, get your fuel at better prices, have complete slippage control

as well as the ability to track day-to-day operations while accruing lifecycle costing data, and 24/7 support from your vendor.

- Anyone entering into a managed fuel situation should also remember to have his/her program reviewed on an annual basis to ensure that the most cost-effective and efficient program is in place.

Summation

In order to make everything totally understandable and relative to your fleet size and operation, we have provided a table that cover a variety of fleet sizes. You can position your fleet statistics in the table for a quick visual perspective of your possible savings, or go directly to our Web site at www.Fleet-Central.com/fuelcalculator/, insert *your actual numbers* into the template provided, and get real-time data. Then you can see *just how much you can save* with a managed fuel program. 

FuelSave Report™: How to Calculate Your Fuel Cost Savings									
FuelSave Inputs:	100 Vehicles			300 Vehicles			500 Vehicles		
Average Price of Fuel Per/Gal:	\$1.25	\$1.59	\$1.80	\$1.25	\$1.59	\$1.80	\$1.25	\$1.59	\$1.80
Number of Vehicles:	100	100	100	300	300	300	500	500	500
Avg. Number of Fill-ups Per/week:	2	2	2	2	2	2	2	2	2
Avg. Number of Gal. Per/Fill-up:	14	14	14	14	14	14	14	14	14
Estimated Slippage Percentage:	14.6%	14.6%	14.6%	14.6%	14.6%	14.6%	14.6%	14.6%	14.6%
Number of Drivers You Employ:	100	100	100	300	300	300	500	500	500
Avg. Driver Hourly Wage:	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Minutes Per/Week Spent on Receipts:	10	10	10	10	10	10	10	10	10
Cost to Process each Receipt:	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
Card Fee Per/Month:	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
Fuel Savings Calculations:									
Est. Annual Fuel Cost:	\$184,805	\$236,231	\$266,315	\$554,416	\$708,692	\$798,946	\$924,027	\$1,181,154	\$1,331,577
Est. Number of Receipts Processed:	10,400	10,400	10,400	31,200	31,200	31,200	52,000	52,000	52,000
Annual Cost to Process Receipts:	\$5,200	\$5,200	\$5,200	\$15,600	\$15,600	\$15,600	\$26,000	\$26,000	\$26,000
Est. Annual Slippage:	\$26,982	\$34,490	\$38,882	\$80,945	\$103,469	\$116,646	\$134,908	\$172,448	\$194,410
Total Driver Hrs. Spent on Receipts:	867	867	867	2,600	2,600	2,600	4,333	4,333	4,333
Annual Cost to Complete Reports:	\$8,667	\$8,667	\$8,667	\$26,000	\$26,000	\$26,000	\$43,333	\$43,333	\$43,333
Total Yearly Fueling Expense:	\$225,654	\$284,587	\$319,064	\$676,961	\$853,761	\$957,192	\$1,128,268	\$1,422,936	\$1,595,321
Est. Annual Fleet Savings:	\$40,848	\$48,356	\$52,749	\$122,545	\$145,069	\$158,246	\$204,241	\$241,782	\$263,744
Annual Card Fees:	\$2,400	\$2,400	\$2,400	\$7,200	\$7,200	\$7,200	\$12,000	\$12,000	\$12,000
Est. Total Fleet Savings:	\$38,448	\$45,956	\$50,349	\$115,345	\$137,869	\$151,046	\$192,241	\$229,782	\$251,744
Savings Percentage:	18.10%	16.99%	16.53%	18.10%	16.99%	16.53%	18.10%	16.99%	16.53%
Savings Per/Gal:	\$0.28	\$0.33	\$0.36	\$0.28	\$0.33	\$0.36	\$0.28	\$0.33	\$0.36

Source: Wright Express

The FuelSave Report covers fleet of 100, 300, and 500 vehicles. It also covers three fuel prices: \$1.25, \$1.59, and \$1.80.