

# Managed Fuel:

## What Are the Advantages For You

In part one of our series, AF presented figures showing that the larger fleets have seen the light and put their fleet vehicle fuel purchase and mileage monitoring under the fuel management umbrella.

By Gene Allen

Probably the first question to ask of anyone whose fleet is not associated with a fuel management program of any kind is "WHY NOT?" In our recent survey asking about fleet's involvement or non-involvement in fuel management programs, many similar answers came to the forefront. Many of those answers could be directly related to the size and makeup of the individual fleets, with the smaller fleets expressing less understanding of both services available and possible related cost of involvement in any program.

Before anyone can try to extol the benefits of these managed systems, an explanation of service available is in order. This article is intended to examine a vital tool available to fleets of all sizes, and may not be the perfect panacea for everyone's fleet department problems. But every fleet manager faces the same pressures from above when it comes to cost of operation and ways to curtail expenses.

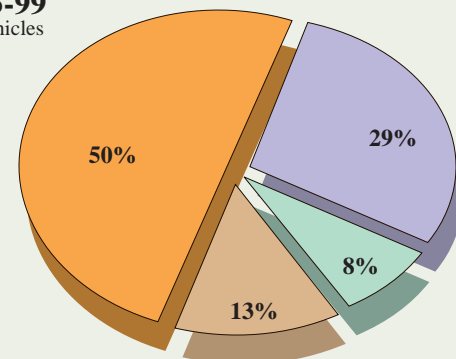
### What Can You Do For Me?

All fleet fuel management providers can offer your organization a full range of services, bearing in mind that your package deal can be custom designed for your needs and budget. Here are some of those services available for your company:

- **Driver convenience** by using one card good at thousands of stations nationwide.
- **Added card security** through PIN number identification requirements.
- **Convenience of electronic site transaction capability** at most stations.
- **Proven cost savings** through better fuel controlling capabilities associated with accurate, timely and complete fuel reports.
- **A billing system that can be custom designed** for each company, with monthly, weekly or electronic payment. Your choice.
- **Numerous purchase reports** that help you completely monitor the driver's use of the fuel card.
- **Exception reports** that pinpoint vehicle performance and maintenance requirements, as well as problems.

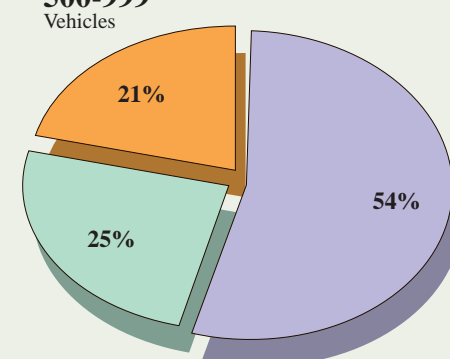
### Reasons for *NO* Fuel Management Program by Fleet Size

25-99 Vehicles



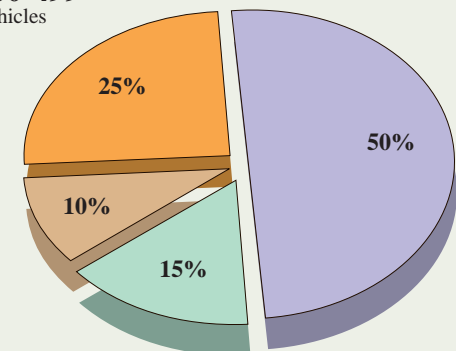
No upper management support of the system.  
I think it would cost too much.  
I really don't know enough about it.  
I don't think it would benefit my company.

500-999 Vehicles



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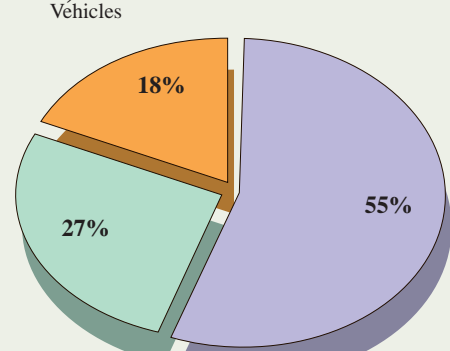
100-499 Vehicles



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The numbers in the pie charts reflect the responses from surveyed fleet managers.

1,000+ Vehicles



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The percentages shown in the pie charts are rounded to the nearest whole number.

- **Tax-exempt fuel services** are available through most service providers, allowing tax-exempt entities to have their adjustment handled at the pump at time of purchase.
  - **Customers are set up with individual direct access** to their accounts.
  - **24/7 service-staff available** for after-hour emergencies.
- Those are just some highlights of services available. Now let's look at some situations that may or may not be confronting you now.

### Siemens Reaps Multiple Benefits

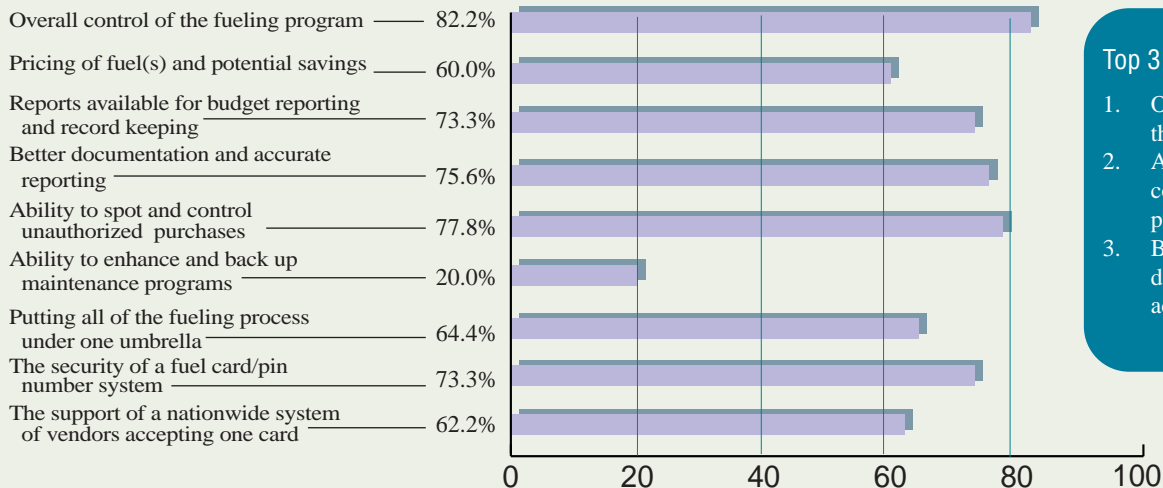
Jim McCarthy, fleet manager for Siemens Shared Services, with responsibility for a mixed fleet of more than 4,000 vehicles, told AF, "Our organization needed more concise control of our fleet expenses in general, but the fuel program in particular. After reviewing our options, we elected to put the fleet on a fuel management program, through our fleet management company, and have the fuel reporting data enhance any maintenance, mileage and lifecycle analysis information being collected. By combining all the outsourced programs under one umbrella, we are able to get a more complete picture of each driver's operating characteristics, pick out problem areas as simple as the wrong grade of fuel being pumped, and monitor any and all incidental expenses being incurred. Another plus is that the billing is easier to validate since the vehicle is reported in all systems, maintenance and fuel, under the same number."

### Gotcha!

One of the best things to come out of the controls provided by a managed fuel program is "the ability to spot and control unauthorized purchases" (one of the top concerns stated in the June 2001 AF issue). That can be as simple as occasionally purchasing a sandwich or soft drink at the company's expense, to the continued pumping of a higher than necessary grade of fuel. With today's escalating fuel prices, there can be as much as 20 cents per gallon difference in price, and sometimes more, between supreme and regular unleaded fuel. For a fill-up of 15 gallons, that could be \$3 a tank. For two tanks a week, that's \$6, and

## Fuel Management Services Importance as Rated by Fleet Managers

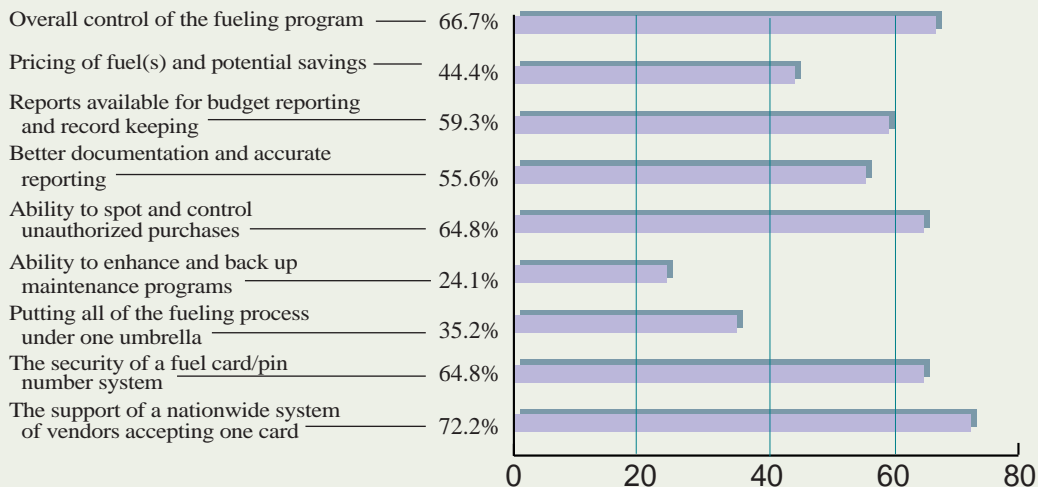
### 25-99 Vehicles



#### Top 3 Services:

1. Overall control of the fueling program.
2. Ability to spot and control unauthorized purchases.
3. Better documentation and accurate reporting.

### 100-499 Vehicles



#### Top 3 Services:

1. The support of a nationwide system of vendors accepting one card.
  2. Overall control of the fueling program.
  3. Ability to spot and control unauthorized purchases.
3. The security of a fuel card/PIN number system.

for 52 weeks a year, \$312. Not a lot? Multiply that by 1,000 vehicles and see how \$312,000 sounds to your boss when you tell him your drivers just happened to buy the wrong grade of fuel. You can control this type of problem with a fuel management program.

Frank Memolo, fleet manager of Panasonic, based in Secaucus, NJ, with a mixed fleet of about 1,200 vehicles, echoed McCarthy's statements, "There were some minor driver concerns at the beginning of the transition period," Memolo said. "Drivers felt this was another Big Brother system looking over their shoulder; however, after a short time, everyone agreed on the convenience of a managed fuel program and one card covers all was a great idea."

### Times Are Changing; Are You?

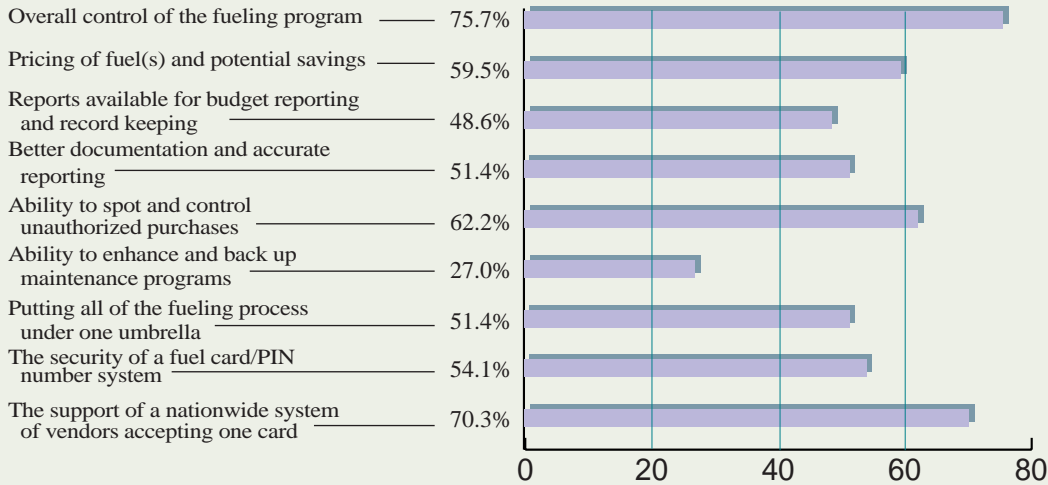
Another scenario that's used by some smaller fleets and, believe it or not, by a few major players, is the "house account" at the corner gas station. This was for many years a great credit card-free, hands-on, close-hold type of operation, that was an ideal solution for some (and may still be).

But when you consider all the hats a fleet manager or administrator has to wear these days, who has the time to look at receipts, illegible and incomplete in many cases, and try to decipher their validity?

We all know there is a little, "Ah let's just pay it, it's only \$20 dollars and I'm busy." Those days are over. No fleet can stay in operation without a set of firm guidelines on vehicle operation, maintenance, fuel purchases, and general operating expense. There are instances where house accounts are an asset; if so, good. A fuel management provider can set you up with an account at the corner gas station and provide you with all the

## Fuel Management Services Importance as Rated by Fleet Managers

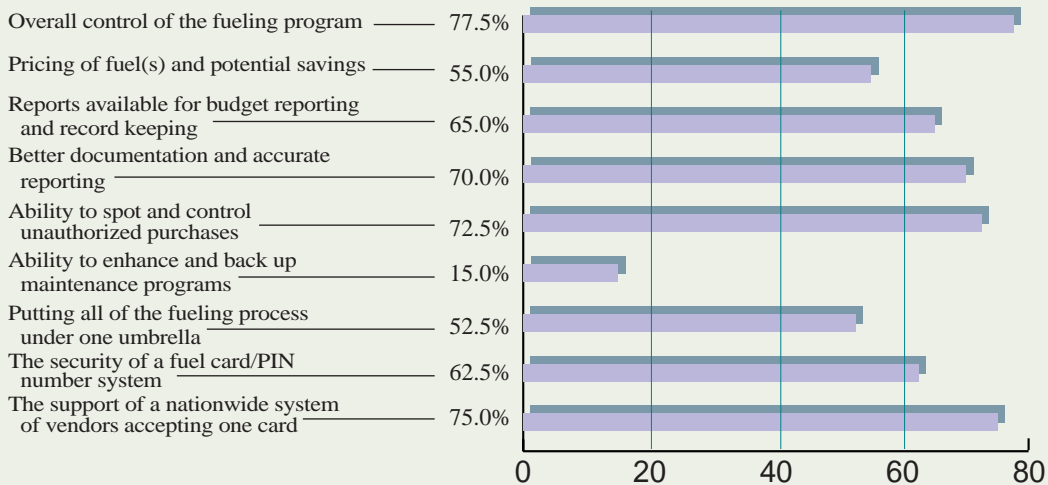
### 500-999 Vehicles



#### Top 3 Services:

1. Overall control of the fueling program.
2. The support of a nationwide system of vendors accepting one card.
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### 1,000+ Vehicles



#### Top 3 Services:

1. Overall control of the fueling program.
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documentation and reports you can use, so that's still an option if you choose. But look at all your options and see what those options can gain you in savings and control.

*AF*'s survey also revealed that some organizations prefer to use a reimbursement and/or petty cash type of payback for fuel purchases. Try to keep track of that one!

As you probably already know, cutting checks can be very inefficient from a cost standpoint. Watch future *AF* issues for information on the cost of checks as a method of payment.

Executive-type vehicle fueling concerns are handled on another level again.

And, of course, there are the myriad of oil company charge cards, bank credit cards and so on. But which system can give you, as the fleet manager or administrator, the ability to control purchases by type, cost by direction, and ultimately do all of these without added staff, assets and/or expense? You're going to have to investigate your options.

### You Need Upper-Level Backing

Heather Gossett, fleet administrator for Cable Express of Westerville, OH, gave

*AF* the following comments: "Prior to going on a managed fuel program for our 700-plus vehicles, Cable Express utilized a local gas station and a single oil company credit card. We wanted reporting capabilities associated directly with our fueling purchase's location, gallons, price, type of fuel, etc. We went into the managed fuel program with no preconceived opinions, just the hope that such a service would meet the need. I was fortunate in the fact I had very supportive people to work with. Everyone wanted the benefits to be there. Really, our objectives were simple: versatile reporting capabilities, end-of-

month billing, Internet access capabilities at a minimal cost and with an effective customer service team. We have been completely pleased with our managed program as it has met and/or exceeded all of our expectations. Would I ever go back to the way it was before? Never!”

### **The Human Factor Costs Also**

We have discussed controls, reports, documentation and such, but there is an added factor of possible error and expense. That’s the human factor.

Several of the respondents to the *AF* survey told us they were able to either reduce or re-align their workforce since the reports provided with their managed fuel program had simplified their work processes and sped up their operations, while providing checks, balances, and documentation that were never before available.

### **Listen To The Professor!**

Tim Bertaccini, business manager, Yale University procurement department, said, “The switch to a full-blown managed fuel program gave us more accurate and complete data in a much more timely manner. It also helped allow us to let go of one full-time staff person.”

Bertaccini added, “Yale has 350 vehicles on the fuel program and purchases average in the area of \$25,000 per month. The management program gives us everything we need, provides instant savings, and is a boon to tax-exempt organizations such as our university, since tax savings are done at the point of sale and not later. Employee acceptance to the program has been almost universal and very positive. Our decision to engage in a managed fuel program was greatly influenced by a strong recommendation from another large university, Harvard.”

How about the cost of money? How are you paying your fuel bill now? Do you pay a fee for the card? Is there a certain number of gallons a month you must purchase through vendor “X” to get your agreed-upon deal? As noted earlier, fuel program payment arrangements are flexible, and you basically operate with no cash outlay until the billing comes in.

Most fuel management companies don’t provide a direct discount to you on fuel purchases, but give you the savings in the form of purchase controls, accurate reports, efficiency, consistency, billing accuracy, vendor support, and time and labor savings.

### **Tax Evasion, “Not Quite”**

Mentioned earlier was the “tax exempt status” handled with a managed fuel program, and the time savings that are available to you. Your tax credit is applied at the pump, at time of purchase, and you’re provided with an accounting at year’s end. That’s another time and labor saving step you don’t have to perform in-house and you really can’t quantify that into dollars.

There are many advantages to be gained, at virtually no additional cost to you, with managed fuel programs.

The nominal fees associated with most managed fuel programs are more than offset by the savings realized.

My favorite point is the added data available for computing lifecycle cost and vehicle replacement. How do you compute these items now, if you have no database to work from?

Sure, the programs we’re discussing are fuel-related, but they do provide you with daily current mileage, current fuel miles per/gal. for any given vehicle, and a rough cost per mile for the unit you’re looking at. Agreed, this isn’t a lot in itself, but it is a good indicator of a vehicle’s status in reference to the rest of the fleet and can keep you in touch with mileages relative to vehicle replacement time/months. AF

## **A Great Summary Of Benefits**

One of the most sterling endorsements for having a fuel management program, came in a response to *AF* from Windell Mitchell, fleet manager for King County, WA. Mitchell brought up some good points for opting for a managed fuel program.

- First, it didn’t cost the county anything.
- Second, it provides the convenience to the customers of not having to travel long distances to obtain fuel and not having to fill out manual use logs for fuel purchases.
- Third, the county saves money from using less travel to and from fueling locations, saves labor from not having to manually key punch fuel transactions and vehicle odometer figures into the fleet maintenance system.
- Fourth, the staff does not have to pay multiple fuel bills for fuel received at the various fueling stations.
- The largest cost savings was that the county was able to remove 60 underground fuel storage tanks, thereby eliminating all cost associated with the maintenance of in-house fueling facilities.
- The county was freed of any liabilities for underground tank problems.
- But the most important factor is that customers and the county received more timely and accurate information.

Mitchell added, “If asked to explain to my peers the advantages of the managed program for us, I’d have to say it has improved customer service, reduced administrative costs, and provides more timely and accurate information. All of these benefits were received at no additional cost to the county. I would absolutely not go back to an unmanaged fuel program.”