

Historic Fuel Prices - An Alternative Attitude



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During the last several months, the media has been filled with reports regarding escalating fuel prices. Words like: “explosive,” “uncharted territory,” “unprecedented,” “record breaking,” and “historic” with their frightful connotations have been used to describe the current situation and potential ramifications. Many suggest the prices may remain high for an extended period of time and consequently reshape fundamental activities of both consumers and businesses.

Within the trucking industry, where bankruptcies are closely correlated to diesel prices, there are approximately 1,000 business closures a quarter. Clearly, the \$4+ per gallon fuel prices hardly seem to create an environment supportive of positive thinking for many business owners and executives. Yet, a closer look at the situation and a reminder of historic lessons may encourage an alternative attitude. Consider the following:

Focus of purpose is the secret of success (according to Thomas Edison) – The extreme focus driven by the suffocating prices is spawning an incredible list of new initiatives to reduce fuel consumption that will be extremely beneficial for years to come. Consider a partial list of the management actions being taken by many trucking companies as an example:

- Reduction of engine idle times
- Improvements in equipment aerodynamics
- Increased tire inflation inspections and use of wide-base tires
- Use of low-viscosity lubricants
- Use of fuel and lane optimization programs
- Lowering electronically controlled speed governors
- Installation of auxiliary power units (APUs)
- Increased use of intermodal shipping
- Real time monitoring of onboard fuel consumption dynamics
- Use of hybrid powertrain technology and biodiesel blends.

Strategic opportunity – Professor Zhang, at the Wharton School of Business, in the May 1, 2008 issue of USA Today stated “When costs increase for everybody, you get a huge competitive advantage if you do something just a little bit differently.” In other words, there are strategic opportunities currently available for those able to manage more efficiently than their competitors.

New incentives for cooperation – The common effect has started to promote new levels of cooperation. This can be seen within the trucking industry where the annual expenditure for fuel has increased from \$106 billion in 2006 to a projected \$154.1 billion for 2008.



The federal government (through the Environmental Protection Agency) is sponsoring and funding a

partnership of shippers and freight carriers called the SmartWay Transport Partnership. The program has attracted approximately 800 partners and is growing at the rate of 30 new partners a week. Both shippers and carriers are encouraged to implement a list of fuel saving initiatives, some that are interdependent, gaining not only cost savings, but also national recognition for environmental improvements and progressive leadership. In another example, recently a logistics company held a shipper symposium near the headquarters of Wal-Mart. It approached approximately 120 shippers (including Wal-Mart) and motor carriers to discuss not only how to deal with the high fuel prices, but also how to lower greenhouse gas emission levels.

National Initiatives – Increasingly, industry associations are actively requesting federal government assistance to promote needed changes. Consider the American Trucking Association’s recent request of the federal government:

- Stop filling and instead release oil from the Strategic Reserve

- Allow environmentally responsible development of crude resources
- Work with all state attorney generals to combat any price gouging
- Continue to fund the EPA's SmartWay Transport Partnership program
- Streamline regulatory framework for refinery applications
- Require speed limiters set for 68 mph or lower on all new trucks
- Set a national maximum speed limit of 65 mph
- Suspend collection of 12% excise tax on auxiliary power units to promote their use
- Close federal loophole that provides a tax benefit for the exportation of biodiesel.

In summary, while current fuel prices pose severe challenges for many, perhaps these prices will also bring needed changes and opportunities for those with an alternative attitude. ●

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