

Who ever thought that after all of these years, fuel surcharges would still be around? Not only are they still around but they are as intricate as ever to the success of any Owner Operator. Even though fuel surcharges are now engrained in the industry and but for a miracle are here to stay, there still seems to be confusion about how to analyze the FSC amount paid to you by your carrier.

Many owner operators feel as though the FSC is not enough to cover the high cost of fuel, which may or may not be accurate. The problem is that many of you are not crystal clear on how to calculate the effects of a fuel surcharge. I can't count how many times since FSC has come into effect that I have heard this statement or something similar to it: "My fuel surcharge is 26 cents per mile but I'm paying \$2.70 a gallon so it's still like paying over two dollars a gallon." This is an incorrect statement.

I know it feels like the surcharge isn't helping enough, but remember you can't run your business on feelings. You have to run a business on the numbers. So let's go through the numbers. The way you calculate the effects of a fuel surcharge is as follows; Take your fuel surcharge amount (eg. 26 cents per mile) and multiply it by your fuel mileage, (ie. 6 miles per gallon) = \$1.56. Now, subtract that amount from the pump price. The national average right now is \$2.70 per gallon (week of November 1<sup>st</sup>) so \$2.70 minus \$1.56 means that with the surcharge you are actually paying

\$1.14 per gallon.

I always stress how important it is to get good fuel mileage, so let's take a look at how your fuel mileage affects this calculation. We'll use the same surcharge, 26 cents per mile, but what if you are able to get 7 miles per gallon? 26 cents times 7 equals \$1.82. Subtract that from the pump price of \$2.70 and you're really paying \$0.88 per gallon for your fuel.

Instead of spending time and effort stressing about the cost of fuel, spend some time learning how to increase your fuel mileage, which is an effort you can achieve immediate and positive results from. In fact, if you are currently working for a carrier who reimburses you for fuel in the fashion stated above (as most do), would it not put more dollars in your pocket, as the price of fuel rises?

What's your guess on where fuel costs are going? Is the FSC here to stay? The majority of the world agrees that unrest in the Middle East combined with dwindling supplies of non-renewable oil reserves mean only one thing; the price of fuel may vary up or down in the short term but over the long run the price will only go up and up. Think about the opportunities that exist at 6 miles per gallon in a FSC offered by a carrier. Every bit of fuel economy you get over and above this benchmark puts more dollars in your jeans. Following my



## The High Cost of Oil (Friend or Foe)

logic, would it not make even more sense for you to take a hard look at the equipment you are currently driving?

Do the math on your average monthly miles driven with your current tractor and decide if you are in the right truck. If you are driving an older, conventional square nose, what is that really costing you in dollars out the stack? If I were you I would seriously be looking at changing that piece of equipment for a truck that is totally aerodynamic with full flaring and the most fuel-efficient power train available. Price both new and used equipment and then calculate your opportunity for savings.

I believe you'll discover that even if your monthly equipment cost rises, you will still be many dollars ahead of the game and driving a newer, more efficient vehicle. Far too many owner operators are struggling just to make ends meet. It's not surprising; fuel prices are at an all-time high, truck prices are up, insurance costs are high, yet pay rates are only beginning to rise slightly. Is there any hope? Absolutely! I have been in this industry for almost thirty years and I have never been more optimistic about the chances for an owner operator to succeed. Will it get better for all owner operators? Not a chance! Not even close. But the owner operators who learn how to succeed will do better than ever.

You've all heard the old saying, "it takes money to make money." Well that's not exactly correct but it's close. You sometimes have to spend money in order to save money and run more

efficiently. Careful planning is the key. Are you in the right situation to maximize your opportunity here? Are you running the right lanes with a carrier who creates a financial advantage for those owner operators who run an efficient tractor? You decide.

I realize that many of you who might be in this situation may not be in the position to act on these suggestions right away. If that is the case then ask yourself what you can do in the interim to improve the operating cost of the equipment you are currently driving. Many are probably aware of some of the new oil filtration systems that can extend your full service intervals out to 60,000 kilometers or more. What are your current service intervals? Half of this or less in many cases. How much might this technology cost/save you if you bought half of the oil you are now purchasing over the remaining life of your engine? In most cases the ROI (return on Investment) will not only pay for the investment but will leave much needed money left over with less down time. This has never been more important, especially when it comes to maintenance and fuel cost. Some will suffer through this climate of escalating fuel and oil costs while others will prosper. Which one will you be?

Feel free to drop me a line on this idea.

Safe driving,

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