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## Vehicle Fuel Management

*How to gain tighter control of fuel expenses*

By David Kolman

October 2010

Controlling fuel costs – one of the highest operating expenses for many fleets – is a daunting task. It involves many factors and variables, and requires the juggling of consumption reports, piles of receipts and pages of invoices. Ineffective fuel management is costly, negatively impacting a fleet's bottom line.

Basically, fuel management encompasses accurately collecting data on how a fleet uses fuel and then using this information to better to control consumption, reduce cost and eliminate theft and waste. There a number of methods and systems for accomplishing.

The most basic systems comprise manual data collection and spreadsheets. These systems rely on the consistency of drivers recording their daily odometer readings and fuel purchases, as well as the accuracy of the data entry person and the commitment of the manager to make sense of all the information and decide how to use it, says Jack Lee, president and CEO of 4Refuel Canada, a company specializing in total fuel management solutions.

Such manual and semi-manual systems are susceptible to lost receipts, illegible faxes, inaccurate records and data entry errors, he notes. They also don't help the manager make any sense of the data. Fuel management systems, on the other hand, automate the collecting of fuel data and measure the many activities related to refueling, doing away with human error and helping the manager understand the data.

### **FLEET CARDS**

The introduction of fleet cards has streamlined every aspect of fleet management, says Paul J. Citarella, senior vice president of sales and marketing, FleetCards USA, a company offering a large array of fleet fuel cards. "With their advance controls and tracking, business owners now have a tight rein on the activities of their drivers – however large the fleet may be. Moreover, having eliminated the need to hand over

cash to drivers for fuel expenses, there is little room for suspicion or fraudulent activity . . . and internal fuel theft can virtually be a thing of the past.”

“If a fleet is running on a cash basis, managers are dependent on their drivers to justify their fuel and maintenance expenses and have to accept whatever receipts they provided,” he explains. “Additional time is consumed by reconciling expenses and reimbursing drivers, and the likelihood for theft is at an all-time high. Fleet cards provide control and driver accountability that a cash account or gas card can’t provide.”

Furthermore, fleet cards will often have incentives that provide a discount or “kickback” on the cost of fuel once a certain volume is reached each month.

As soon as the driver hits the road, the fleet card tracks every expense that is incurred for the vehicle. Refueling, maintenance repairs, fuel economy and mileage all can be tracked online by management, Citarella says. Even particulars such as the cost of fuel, tax, quantity of fuel purchased, the merchant name and location is readily available in real time if required.

Such information provides numerous benefits for a company, as it allows managers to acquire greater control over their fuel expenditures and gain the insight to make changes towards better fuel efficiency.

The best defense against internal fuel theft is the controls that can be set on sophisticated fuel cards, maintains Citarella. Managers can put limits on how much a driver can fuel up in a day, where they can purchase fuel and even limit purchase to fuel only.

Moreover, as fleet cards’ tracking software keeps a record of expenses, drivers no longer have to be accountable for submitting receipts and can focus more on the job at hand.

Advanced features in some fleet cards can allow drivers to pay for maintenance at designated, approved locations, Citarella notes. Fleet managers can track to ensure their vehicles are receiving the maintenance and repairs to be operating at their maximum fuel efficiency.

Since mileage can be logged with each fleet account, fleet card reports can also identify a change in a vehicle’s performance, for example, if a particular make or model is excelling over another or needs to fuel up more often, which would indicate it may be in need of repairs due to inefficiencies.

Just like in maintenance and vehicle performance tracking, challenges with employee’s driving habits can also be identified through fleet card reports. This provides fleets with an opportunity to work with these drivers to improve driving practices to maximize fuel efficiency, he says.

## LESS PAPERWORK

Xcel Energy is a utilities giant that provides a comprehensive portfolio of energy-related products and service to 3.4 million electricity customers and 1.9 million natural gas customers across eight states in the U.S. It maintains a fleet of more than 5,700 cars, trucks and vans and an expansive network of mechanics and suppliers.

For years, Xcel Energy faced a dilemma shared by many fleets. The process of maintaining and servicing its fleet of vehicles involved a complex paper trail of purchase orders and invoices for parts and services, including thousands of small-dollar and high-volume transactions. Employees would submit receipts for parts or services to the accounts payable team – sometimes late, resulting in missed payments.

A fleet can't control the price of fuel, but it can control its fuel consumption through practical fuel management programs and systems.

Efficient tracking of those expenditures, some for as little as \$10, had become nearly impossible.

Beth Hill, director supply chain process control, and Mark Hennesy, fleet director, decided to implement a corporate fuel purchasing program, and turned to BMO Spend & Payment Solution – a leading commercial card, spend and payment solutions provider in North America, and its Purchasing Card (P-Card) program. The program gives Xcel Energy visibility into transactions and reduces the number of missed payments and expensive manpower to manually track all of the receipts, they say.

The joint team from Xcel Energy and BMO identified three goals in the initial planning:

1. Get bills paid on-time and provide the ability to procure parts and minor services with lower administrative processing costs, and simplify expense analysis.
2. Increase the visibility of transactions online within 24 to 48 hours, and load data directly into a fleet management tracking system.
3. Remove transactions from the accounts payable (AP) system that did not need the expertise of a seasoned procurement professional.

The P-Card program cuts down on the number of invoices processed in the AP department and eliminates duplicate payments and other accounting problems, say Hill and Hennesy. The program is also empowering, as it puts the tools in the hands of the employee who need to make purchases.

The fleet card program takes advantage of BMO's Details Online, which gives visibility down to the work order, supporting centralized equipment lifecycle management.

Xcel Energy AP team is "awed" at the sheer volume of paper – and paper touch-points – the fleet card program has eliminated, directly supporting a corporate-wide 'green' initiative, Hill and Hennesy say. The program has taken some 20,000 annual

transactions – each involving paper invoicing and paper check payment – fully online, including internal monthly reconciliation with users of the P-Card.

## **PRODUCTIVITY INCREASE**

In the heating and air conditioning services industry, productivity relies on fleet efficiency. If drivers must spend time searching for a specific, fuel-only provider and then make additional stops for convenience items, they spend less time on service calls – and the business loses opportunity for additional revenue.

Couple that lost time with the additional associated mileage and fuel expense, and the out-of-pocket costs begin to quickly add up. Multiply that by a fleet of 45 vehicles, and that was the situation an Arizona HVAC company faced.

To make fueling faster and cheaper for its fleet, this Phoenix-based company was using a commercial fueling membership that joined together as one brand several independently-owned, unattended, fueling stations throughout the city. When the company's general manager took a hard look at the fueling program he found it had inefficiencies that were costing both time and money.

The closest of these proprietary fueling stations was two miles from the office where the company vehicles parked overnight, which meant a four-mile trip might be required just to begin the day. If vehicles needed fuel while in the field, they might have to drive up to 12 miles to find one of the fueling locations. If they could not find a station, the drivers would use personal credit cards and submit receipts for reimbursement.

Because the sites were fuel pumps only, the crews were then making additional trips to convenience stores to purchase drinks or snack items for the day.

The general manager was logging countless office hours reconciling paper gas receipts to track vehicle fueling frequency, the price of the fuel and miles per gallon.

The deal-breaker that initiated a search for a different fueling solution was that his current vendor was charging a surcharge of 20 cents per gallon over the retail price. With an average purchase of 1,700 gallons per month, the additional expense was adding up and a change had to be made.

The HVAC company turned to the Fuelman fleet fueling and maintenance purchasing program. Fuelman is accepted at more 600 fuel and maintenance merchants within the Phoenix area, including all Circle K locations, one of the more prominent convenience and fueling station brands in Arizona.

With several Fuelman locations around the corner from the company, its crews no longer have to start their day with a two-mile trip to fuel. Nor do they need to make an additional trip to a convenience store. The result: the crews get off to a more productive start and the company saves both time and money fueling.

Inside the office efficiencies have improved as well. The company now receives fueling reports and bills electronically. Plus, the system has self-serve account management.

## **FUELING OPTIONS**

Aside from fueling vehicles at retail stations and other third-party facilities, a fleet can maintain its own fueling facilities or contract with a on-site fueling provider.

Fleets and shops with on-site storage tanks and fueling facilities need to be concerned with satisfying various legal requirements applicable to the storage and/or dispensing of regulated substances – gasoline, diesel, motor oil, etc., says Joel Hershey, director, Eclipse, a company providing creative underground storage tank (UST) and aboveground storage tank compliance solutions.

“The implementing bodies of these regulations range from federal to state and local,” he says. “Typically, state regulations are as or more stringent than federal regulations, and local or county regulations are as or more stringent than state. State or local regulations cannot be less stringent than federal.”

One major factor to consider when selecting between an AST and a UST is available space, says Hershey. An AST, depending on size, can take up a considerable amount of space on a piece of property. Having tanks underground frees up a significant amount of space that would otherwise be consumed by ASTs. With USTs, however, fill ports and other access manholes will still need to be made available at the ground level above the tanks.

Another something to consider when debating between ASTs and USTs is the size of tanks needed. “From a visual and aesthetic perspective, most people consider ASTs to be somewhat unsightly, whereas most UST systems make little to no visual impact from this perspective,” he observes.

The flipside to this is that USTs can be out of sight, out of mind, whereas AST are easy to perform visual inspections on, looking for problems and leaks.

Other factors to consider about potential tank locations are geologic and geographic features. Hershey says things like high water tables, wetlands, bedrock and public drinking water supplies may affect the ability to install USTs. Local law approval may also weigh heavily in deciding which type of tanks to install.

Both USTs and ASTs are subject to regulations concerning leak detection monitoring, compliance testing, tank inspections, maintenance and repairs and leak reporting and clean up, he explains. Leak detection is required to be conducted regularly, in the correct format to the tanks, with records of leak detection history maintained at the facility.

Regular compliance testing of fuel systems is also required, but the frequency and method is dependent on the specific tank, piping and equipment type, as well as location and regulating body.

Substance releases and clean ups are also subject to regulations. For example, a particular state may require a notification if a certain volume of product is released and properly investigated. Regulators may provide specific guidelines for the clean up of larger releases, while very minor ones may be allowed to go unreported.

Penalties, punishments and consequences for failure to pass tank inspections may vary greatly dependent on the regulating body and the specific deficiencies found, says Hershey. An owner/operator of a leaking tank system may also be subject to penalties, punishments and consequences dependent on the cause and severity of the release. The added cost of cleanup for a larger release could also cause penalties to be higher.

## **MOBILE FUELING**

Some fleets have found that mobile fueling services can offer benefits over traditional fueling methods.

One is reduced operating costs and increased labor productivity by eliminating the need for their employees to fuel vehicles either on-site or at local retail stations and other third-party operated facilities, says Merry Nethery, director of marketing for On-Site Fuel Service, a company specializing in dispensing fuel to corporate fleets.

Having a mobile fueling service fuel vehicles prior to each workday allows employees to use their vehicles during time that would otherwise be spent fueling, she explains. Vehicle use is maximized since fueling is conducted during non-operating hours.

What's more, the fuel necessary to operate vehicles is reduced since fueling takes place at customer locations.

The administrative burden required to manage fuel programs and monitor vehicle utilization is also significantly reduced, notes Shelley Brannan, marketing manager, Quick Fuel Fleet Services, which provides on-site fueling and operates a network of automated fueling stations.

By way of example, she says every vehicle fueled is identified with a barcode that contains specific fueling information, such as the type of fuel required and the tank size. When a Quick Fuel driver delivers fuel, he or she scans the barcode with a handheld device. Its automated delivery system will not allow a driver to pump fuel without scanning the barcode, helping to eliminate human error and ensuring safety while delivering.

Because the system captures the tank size, the flow of fuel is automatically cut off when the maximum tank size is reached, helping to eliminate spills, Brannan notes.

After an on-site fueling service delivery is complete, detailed fueling data is available to customers online, which helps minimize fuel management administration.