

April Fuels Day



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On April 1, many independent truckers participated in a one-day work stoppage to protest fuel prices. While the protest appears to have been loosely organized and not widely supported by major trucking companies or unions, it did snarl some traffic and get media attention. So perhaps the organizers achieved at least part of their objectives of drawing attention to how severely the rising cost of fuel is affecting the nation's supply chain and those responsible for keeping it flowing.

It may also have drawn some sympathy for the plight of independent owner-operator drivers who serve the nation, industry and consumers by moving goods that we all take for granted that appear on store shelves. Driving trucks is a tough job, with long hours away from home and an income that may make it difficult to raise a family in decent conditions. On the positive side, there is always the freedom of the road and independence that comes with the job.

As a shipper, I find it increasingly difficult to absorb the spike in fuel costs and even more difficult to calculate the variable costs for developing new business as ever-escalating fuel costs can quickly turn a profit into a loss. When I first learned of the efforts to organize the drivers' April Fools' Day protests, I had to pause and say, "Hang on a minute. I thought that was our problem! Why are we paying fuel surcharges if it isn't going to pay for fuel?"

Few things are more baffling than the calculations used for fuel surcharges on marine or overland move-

ments. On the marine side, Maersk Line recently introduced a bunker adjustment factor calculator on its Web site. Actually, it is pretty neat. I still don't understand the math behind it, but at least it provides a tool to use in forecasting.

But overall, surcharges are a murky area. Small and medium-sized shippers have little ability to argue or negotiate these charges. They usually have to accept them as a fact of business because few carrier representatives understand the calculations themselves. And why would one carrier charge one percentage rate, another charge a very different rate, while a third just quotes on an all-inclusive basis?

But one thing is clear: We are paying the fuel surcharges to both marine and domestic carriers. So then why would truckers be protesting the alleged failure of trucking companies and intermodal brokers to pass those surcharges to drivers? This is not a small amount of money we are paying. Some intermodal carriers charge up to 36 percent of the overland rate. Let's look at some examples.

We recently had over-the-road quotes from Northern California to New Jersey from a broker at about \$3,800 per trailer plus 36 percent fuel surcharge, for a total of \$5,168 per trailer, of which \$1,368 is for fuel. With trip mileage of about 3,000 miles, that surcharge should cover 45.6 cents per mile. With the average cost of diesel being about \$4 per gallon, I would think that the surcharge we pay should cover at least most of the fuel cost for the trip.

The rail industry has promoted

itself as being fuel-efficient; it can move a ton of freight 423 miles on one gallon of fuel. Assuming a load weighs 20 tons, the rail portion should move at more than 21 miles per gallon. So let's look at moving the same freight on an intermodal basis. An example is a rate quote of \$2,400 per trailer plus 36 percent fuel surcharge for a total of \$3,264, of which \$864 is for the fuel, or about 29 cents per mile. At \$4 per gallon, the contribution of the fuel surcharge should cover 216 gallons for the combined truck-rail-truck move.

Again, this is a significant coverage toward the cost of fuel for the rail and the local trucks at both ends of the move.

These calculations can be disputed, but one can only wonder whether the surcharge is being used to cover the cost of fuel as intended, or at least as portrayed. If it is, then why are the truckers protesting? If it is not, then why are the fuel surcharges that shippers pay not reaching the ones actually buying the fuel to fill their tanks?

So maybe the truckers do have a legitimate gripe. We will all benefit from any efforts to reduce the cost of fuel through legislation, exploration, conservation and technology. All I know is that we shippers have been paying dearly with little opportunity to pass on the added fuel costs to our customers. So perhaps the joke is on us.

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