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Common-sense partnering

Many hauliers would consider their relationship with certain customers as going beyond that of a set of commercial transactions.

Words like partnership and collaboration would perhaps more adequately describe the way the two companies interact. The haulage firm will go out of its way to ensure that the needs of its clients are met, while the customer offers rates that are fair, and does not make unreasonable demands of its subcontractor.

Recession, of course, puts great strain on relationships. Out goes common sense and any regard to the levels of service on which the customer relies, and in comes an accountant's mentality that can only see things on a purely financial level.

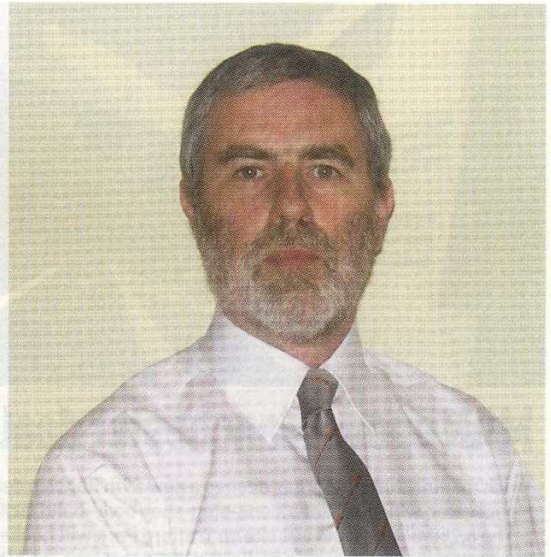
The news this week that Tarmac Building Products is to cut its subcontract haulage rates by 5.1% is in itself not surprising. After all, we know the pain the building industry is suffering. However, to justify that rate cut by stating that it "takes into account recent changes in industry operating costs" and reflects the "downward impact of those changes" is simply wrong.

It does not need a genius to point out that costs have only been going one way and that isn't down. Over the past four weeks, hauliers have seen the equivalent of an extra £1,000 per vehicle slapped on to their annual fuel bill. Let us not forget either that the Chancellor still plans another 2p/litre duty hike in September.

Of course Tarmac needs to reduce its costs, but there is a significant question mark over the way that it is being done. To adopt a 'take it or leave it' position that ignores the commercial reality for most transport firms simply spits in the face of its loyal subcontractors. Far better that it had consulted with them and tried to devise a way of cutting costs that benefited both parties, as any true partnership would.

Driving down costs

Make sure you are not paying over the odds for your fleet's fuel, says **Ken Rogers**



With the government's announcement in the Budget that fuel duty will rise by 2p/litre from September 2009, how do you know you are getting the best deal from your suppliers? Here are some tips to transport providers on getting the best price and making cost savings in other areas too.

■ Look outside what is happening in the local market to buy your fuel. Typically, hauliers ring around their local suppliers to establish the lowest price. However, in time, the local market will soon establish the levels above wholesale prices where you, as a buyer, are buying, meaning that you will not continue to get the best deals.

■ The biggest cost in distributing fuel is from the terminals in the UK to the end user. Think of fuel distributors as hauliers who do a bit of fuel trading on the side. Their biggest direct expense is vehicle costs. Therefore transport providers need to make sure they practise what they preach by ensuring their suppliers are proactive in suggesting an optimum load deliv-

ery size. You need to avoid situations where additional vehicles are unnecessarily required to deliver your fuel requirements, or where you buy more volume to get a lower price, only to see this eradicated by inefficient transportation.

■ Try to find out what your neighbours are paying – we identified two companies with circa 40-strong 44-tonne fleets and yet there was a variation of 4p-5p/litre that they had paid over the previous 12 months. This was equivalent to a £60,000 difference in the companies' fuel bills over the year.

■ Review closely what you are paying when drawing fuel on the road – it seems these days that anyone with an office facility can set up as a fuelcard provider, and while competition can be good, it is an unregulated market with all the sharp practice that this can entail. It is a widespread tactic to initially catch new business by offering unsustainable low prices (eg "our price this week is x pence/litre"), which compare very favourably with pump prices. However, over time, the weekly price will have an increasing margin attached to it. We have found many clients who, after using a card from the same supplier for a year or two, are actually paying significantly more than the pump price.

■ In addition to reducing fuel bills, transport providers can also look at making cost savings in other areas, for example, in the purchase of tyres. In terms of tyres, manufacturers will be keen to promote the longevity of their products and the positive impact they have on fuel consumption. Hold them to these claims and agree, as part of any tyre contract, mileage guarantees and a credit if these are not met. Also get the supplier involved as they know the best tyres for different applications and this will ensure operators get the best tyre life.

■ **Ken Rogers, specialist logistics consultant, Expense Reduction Analysts**

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Weekly news for professional transport operators

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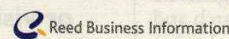
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