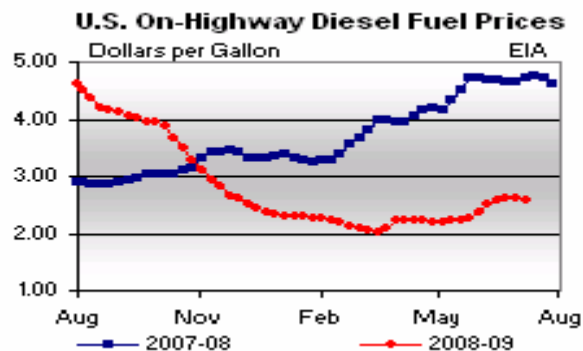


UP AND DOWN THEY GO

Fuel surcharges are on the move again. After peaking at nearly \$5.00 a gallon last year they then dropped to \$2.00 a gallon. Diesel prices then crept back to \$2.50 a gallon for the next three months. Now for the first two weeks of July they are declining again. Compared to a year ago diesel fuel is now standing at \$2.13 less a gallon.



It's not surprising that while shippers may feel they are paying exorbitant sums in the form of fuel surcharges, conversely there are carriers who say that fuel surcharges aren't keeping pace with their actual costs. One of the problems that shippers face is that there is little uniformity in the way fuel surcharge programs are structured. Some carriers adjust fuel surcharges on a weekly basis, other carriers adjust surcharges monthly. While some shippers believe fuel costs can be controlled by consolidating loads, others feel shopping around is a way of reducing fuel costs. While taking this approach can be helpful it is not a true solution to the problem.

We urge shippers to review their existing agreements with carriers to make sure they're in line with industry standards. Are your truckload carriers still calculating surcharges as a percentage of the total freight costs rather

than aligning fuel surcharges to the current price of diesel? If that is the case it is time for you to have a conversation with your carriers about the current marketplace conditions. There is little correlation between the cost of freight used as the basis for assessing fuel surcharges and how much fuel is needed to haul a particular load of freight.

It is important to negotiate the actual price points at which surcharge provisions become effective. Most carrier freight rates include fuel based standard of \$1.20 per gallon. As fuel escalates, shippers typically pay for fuel on a tiered basis. For every 5- to 6-cent increase in the per-gallon price of diesel, the fuel surcharge will increase by a penny.

Rather than negotiate fuel on a carrier by carrier basis, Data2Logistics can help you to establish your own fuel surcharge schedule that your carriers should be asked to bid to. This provides several benefits: it allows you to easily compare carrier bid proposals on an apple to apple basis and it also eliminates confusion in the carrier selection because each carrier's fuel surcharge will rise and fall on the same basis. Our clients are getting double-digit savings by establishing their own fuel surcharge schedules which we help them negotiate.

Shippers should act now. With current economic conditions it is not too late to reduce freight costs by negotiating fuel. However, this window of opportunity will close over the next 12 months as the number of carriers failing continues and the marketplace becomes more competitive with the economic improvement that is expected.

Do not let this opportunity pass you by. Contact Karin Speaker 239 707-7204 or Karin.speaker@Data2Logistics.com.