

SEPTEMBER 2022

BETWEEN THE LINES

KELLY ANDERSON GROUP - MONTHLY NEWSLETTER



Truck Fuel & Shipping Costs

From a pandemic to inflation and threats of a recession, this country and world have endured one crisis after another, and most recently: High fuel and shipping costs in the trucking industry.

As the world slowly enters what seems to be the end of the COVID-19 pandemic, its effects greatly remain, maybe even more so in a different way than during the height. Businesses of various sizes and categories still struggle under the weight. Most of them were not prepared for the customer demand following the heels of the virus and were left with limited stock. Due to this circumstance, energy, grocery and housing costs across the board have risen drastically and rapidly. The next result? Inflation - the word that everyone and anyone despises; just ask the next person in line at the grocery store. The every-day-pedestrian is grappling to keep up, let alone the trucking world.

Truck fleets and companies have felt the coronavirus and inflation repercussions, particularly when it comes to fuel and shipping prices. Larger companies have been able to stay afloat due to contracted fuel surcharges; however, they also have had to keep an eye on how many projects they take on to avoid an excessive amount of deliveries. There was a drop in diesel prices a week ago, going from an average of \$5.29 to \$4.97 a gallon, according to the American Automobile Association (AAA). However, as of August 31, the average rose back up to \$5.08. Even with the recent fluctuations, those largely affected have remained the small fleet owners, who, believe it or not, make up the majority of the trucking industry.



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Using 20 or fewer vehicles, these small and family-ran fleets have represented 97% of all trucking companies, according to the American Trucking Associations (ATA). Since the fuel spike, they have had to cut back on their already limited amount of trucks. Doug Smith, a vice president at Ralph Smith Co., a family-owned trucking company, stated a month ago, "It's going up faster than we can keep up with. It's getting to the point where things are going to grind to a halt." These kinds of businesses were losing air fast as a result of inflation. In turn, they had to increase their own businesses' costs, whether their shipping, rental or other rates. Jake Phipps, the chief executive at Phipps & CO. in Florida, said, "We're trying to use rail as much as we can, which saves a little bit. But that isn't always possible. Otherwise, all we can do is pass the cost along to our customers." Even with the small break in the gas price spike, it, unfortunately, did not make inflation disappear.

The brief relief of gas station numbers falling though may have drawn the public and businesses into a false sense of hope. As the American people have known, numbers can spike in less than a day. Especially with the current climate of the economy and midterm elections around the corner, The Washington Post reminded its readers that such times have been known to see prices sharply increase. Michael Tran, managing director for global energy strategy at RBC Capital also said in an article, "If you were to ask me where could oil prices go, I would say pick a number. This is the tightest oil market we have seen in a generation or more." Small trucking fleets might wish to play cautious, stay on their toes and prepare for continued fluctuation.

According to the ATA, standard United States commercial vehicles have used around 36.5 billion gallons of diesel fuel every year. The last full year of official statistics available for diesel fuel costs was pre-pandemic in 2019 when carriers spent about \$111.6 billion. Imagine what the numbers will be once the report for 2022 is completed. There has been a hope for trucks to move away from gas in the future and toward electric energy in order to save money and help the earth at the same time. However, this idea and goal are still a while off for it to make a big enough impact on both the environment and overall costs. Gas stations will have to remain for now.

Fuel costs affect shipping costs which affect both the public and business world. Anything could happen at this point and trucking companies of all sizes should keep this in mind. The pandemic has unfortunately not yet let go of its grasp on this economy and world.

"These fuel costs are the biggest thing we're facing right now."

JAKE PHIPPS
CHIEF EXECUTIVE AT PHIPPS & CO

Gas Saving Tips

- Annual tuneups (tire rotation, balance, alignment & oil change)
- Maintain other critical parts, such as engine air filter, spark plugs, fuel system treatment, & tire pressure
- Coast into stops
- Combine short trips (warm engines work better than cold ones)
- Drive at average speeds (mileage decreases after 50mpg)
- Avoid unnecessary idling

TRIVIA

What semi-truck currently has the best fuel efficiency?



Company Updates

- **Service Providers, be sure to sign up your trainers for Qualification Certification before your peak season! Our Impact Solutions Safety Trainer Program can help get your drivers qualified! We only have a little over a month left of classes left!**

Team Member Spotlight

Melinda Gilmore



Position: *Executive Assistant*

Length at company: *Over 4 Years*

Quote About Job: *"I love my coworkers. They are amazing."*

QUIZ ANSWER: **Freightliner's Cascadia Evolution has the best fuel efficiency currently with reaching 10 miles per gallon!**



Happy
LABOR DAY



If you have any questions about these topics or how Kelly Anderson Group can help your business, please contact:

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