

Chapter 2: Freezing the Market

Participants:

Paul Citarella, *Senior Vice President Sales & Marketing, FleetCor*
Benton Routh, *President, Fuelman Network*
Michael Smith, *Executive Vice President, Magellan Fuel*

Paul Citarella: Alright so, Price Protection is something that's used a lot in larger fleets but is now available to smaller fleets as well. So think about this, fuel prices are in a constant state of change and they really stayed stable for that long and the most drastic changes in prices tend to happen on the increase. So, one day you fill up say, \$2.50 a gallon, the next day \$3, \$3.50, \$4.00. You never really know where prices are going to go and it's hard to budget for your fuel expenses when everything can change so suddenly. Fuel Price Protection allows you to lock in for your fuel at a fixed price so you know exactly what you are going to spend and you can budget more accurately.

It keeps you from being caught off guard when fuel prices change. So think about Price Protection like a virtual storage tank that allows you to pay a fixed price on your fuel. Basically the company you buy the protection from will post credits to your account for price protected fuel as you fill up at the pump. So let's say you have fuel purchasing insured at the beginning of the year at \$3/gallon. And then by July gas is up to \$4.41/gal which happens to be the increase we saw in 2008. That means your company is saving \$1.41/gal purchased. If you buy 500 gallons of fuel per month you are saving \$705/month on fuel and annually that could be an \$8,000 savings. That's a real significant savings for something as simple as setting your price early on. And, small fleets, as Michael mentioned, can benefit from this just as much as large fleets. With the right program you don't have to worry about prices falling below your locked price,



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because if the price of gas is lower than your insured price, you just pay the lower price for that programs like hedging programs because instead of just paying for the fuel for the year at a set price, you have the option to save your price protected fuel.

Benton Routh: It's really a great way new way of avoiding the anxiety everyone feels over fuel prices. Like route optimization, price protection is customizable to fit the needs of the fleet with the offerings that are available today. Your supplier will choose to lock in at a current price or a different price and the number of gallons you want to be protected. For a small fee, you have certainty over the price of fuel. It's really helpful for budgeting. If you know your budget is fixed for the year, and you're pretty sure what your business levels are going to be, price protection can help you lock in the price of fuel for those companies that focus on budgets, or tax exempt government agencies also tend to be very focused on budgets and meeting those budgets and have been early users and adopters in price protection type of systems and programs. But, if you're any type of fleet and you are concerned about budgeting which we saw in the early poll, many fleets are concerned about meeting budgets, Price Protection is probably something you want to take a look at and I think you will find a lot of new products out there available. Michael, over to you for the next...