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Rising Fuel Prices A Drain On Local Businesses

By Raegan Hennemann, Senior Correspondent

When it comes to improving fuel mileage, every little bit helps. With that in mind, Pat Whalen, co-owner of Whalen Trucking and Specialized Transport, decided to make a change one year ago.

"We set our trucks at 65 mph for top speed, which you can do on trucks with computerized motors. You just have to go in and punch in a top speed on them," he said. "We've probably gained two to three tenths a mile to the gallon, which doesn't sound like much but when they're getting six and you get up to 6.2 or 6.3 on a lot of trucks, it makes a difference."

Like many others who make their living behind the wheel, Whalen is more conscious of fuel mileage nowadays. That is not a surprise considering the Energy Information Administration reported diesel fuel hit \$4.72 per gallon in July, which is up from \$2.48 in January 2006.

Whalen's two companies spent almost \$1.5 million on fuel in 2007 and he is projecting 2008's costs to be closer to \$1.8 million, and that is without a significant increase in miles traveled.

"It's the worst we've ever seen," he said. "Just like with gasoline prices, nobody's seen this type of thing. And the fact that diesel prices always seem to run so much higher now than the gas prices, which years ago it used to be just the opposite."

Setting a top speed on the trucks is only one of the methods Whalen has implemented to conserve fuel.

"We try to cut down the amount of idle time per truck, meaning we tell guys if they're going to sit some place for over five minutes to shut the truck off because a truck will use about a gallon of fuel an hour idling. If you can cut your idle time back 5 percent it makes a lot of difference overall," he said. "We tell our drivers to do anything they can to save fuel. For buying fuel on the road we try to locate the cheapest place and also on some of our trucks that are going overnight we have put what they call APU units on them, which is auxiliary power units. It's a small diesel motor that has an air conditioning unit and a heater unit so therefore you can shut the truck off and run this small unit and only burn three tenths of a gallon of fuel an hour versus one gallon if you were running the truck itself. Plus it saves the wear and tear on your truck engine."

Unfortunately it is what Whalen calls the "dead head miles" that continue to create a challenge.

"Say you unload something in St. Louis and you have to go 80 miles to reload your truck. There's 80 miles where there's no revenue for the truck," he said. "Well, with \$1.50 fuel it was only costing you 25 cents a mile to get that 80 miles, now it was costing up to 80 cents a mile. Now it's down from that because fuel has dropped in the last three weeks a fair amount."

The recent decline in the price of diesel fuel is something Patricia McLaughlin is glad to see. McLaughlin, the executive director of the Illinois Movers' and Warehousemen's Association (IMAWA), keeps a close eye on the statewide

average diesel fuel price on behalf of her members. In 2003, the IMAWA started using a formula to calculate a fuel surcharge for members to implement. Fuel surcharges are only allowed on moves more than 35 miles from origin to destination and have to be approved by the Illinois Commerce Commission. When diesel costs are increasing and reach the next 10-cent increment, McLaughlin calculates the new fuel surcharge and asks members if they want to participate in the request to the ICC.

"One of the other challenges with the fuel surcharge too is that you can't just say, 'Today I'm going to charge X amount of dollars for the fuel surcharge.' There are filing periods required at the commission so if the supplement is filed today, it's not effective for 15 days. So, we're automatically behind no matter what because of the way the regulations require tariffs to be filed," McLaughlin said.

The past few years have been challenging for licensed movers in Illinois. "I can't point only to the fuel prices, but it's significant that nine of our members have gone out of business since last summer," McLaughlin said.

"In 2006, based on the statistics from the (Illinois) Commerce Commission, the statewide average profit margin was less than 2 percent, which is awful because the goal is maybe 8 or 10 percent profit. So that's in 2006, that's before the fuel went out the roof."

Movers try to cut costs by keeping their vehicles longer, decreasing staff and not upgrading their facilities, but they still have increases in worker's compensation premiums, liability insurance and government fees.

The biggest challenge though, McLaughlin said, is the slow housing market. "With the economy the way it is right now and houses aren't selling in many areas, although we're very fortunate here in Springfield that the real estate market seems to be reasonably healthy, I think we're going to be going through a shake out period. Those movers who truly understand what their costs of doing business are and understand how to control some of those costs and establish their pricing accordingly, they'll prevail and the ones who don't, they'll just go away unfortunately," she said.

For Tom Swift, president of Hillier Storage and Moving Co. in Springfield, a member of the IMAWA, changes had to be made to local moving rates to capture the fuel increases.

"Our local hourly rates for our trucks have probably increased in the neighborhood of 15 to 20 percent. That change took place I believe in April of this year," he said.

Unfortunately, the cost at the pump is not the only place Swift is seeing an increase. At the end of August, Hillier's supplier of corrugated materials implemented a 12 percent increase.

"All of our suppliers tack on fuel surcharges for everything that they deliver to us or that we buy from them," he said. "Probably over the last 12 to 16 months or so there's been increases that have been attributed to the fuel."

Swift agrees with McLaughlin in that so far the Springfield housing market has not slowed too much, but if that changes, the company is prepared.

"The moving industry does experience hardships with respect to the economy whether they be local or global," he said. "We as a company have built other revenue streams in our business so that when one in particular is affected then the other portions of our business do help maintain a common level of business for everyone. We have not had to lay anyone off as a result of the amount of household goods business that we've not achieved as a result of the economy and so I look at that as being kind of a barometer for us. Diversification is critical; it's very important in a business like ours."

Jerry D. Lemmon II, a real estate broker with The Real Estate Group, said he can't let the higher gas prices prevent him from going out and selling, especially in today's market.

"Because the market's been a little slower, I think you have to be somewhat versatile more so than in the past, which means you might need to be willing to take a listing that's a little further away than you would normally go because sales are a little more difficult to come by so you want to have a greater inventory of listings in this type of a market," he said.

Although Lemmon, who is not reimbursed from The Real Estate Group for gas or mileage, estimates he drives about 300 miles a week he remains optimistic about how much it costs to fill his Ford Expedition with gas.

"In the big picture, I have to be working harder than ever before to do my job, and if that means that I have to drive more miles and spend more money on gas that just comes with the territory, it's the job," he said. "I can't let the cost of gas keep me from doing my job. I have 40 sellers that expect their homes to be sold, and if I'm worried about the cost of gas I think I've lost sight of what my job is."

Lemmon points to the fuel costs for the decline in home sales in June 2008 compared to June 2007.

"There is no question that in June I really noticed a difference in the amount of buyer activity, which I felt was probably greatly influenced by two things. One was the fact that gas was rising at a pretty alarming rate. The second was because as that was happening, the media and the press was all over it so there was a lot of negativity out there," he said. "I think so much of what drives the market is really obviously the consumer's mindset and since early July the (gas) prices have been dropping. We're down at least a little lower than where we were. They were at least headed in the right direction and it seemed to me that the market started to improve. I think it's certainly better now than it was in June. So in that sense, I think gas totally affects the mindset of the buyers and, at the same time, it's a great time to be a buyer because there's a lot of great bargains out there not to mention rates are pretty darn good. So it's nice to see that gas maybe stays more in the mid \$3s rather than being pushing high \$3s low \$4s. It definitely will help this market a great deal I think."

The price fluctuation of gas is not something the athletic coaches at the University of Illinois at Springfield have to worry about, but travel takes up a good portion of the budget.

"I think the coaches tend to play non-conference people that are within a certain distance from Springfield," said Dr. Rodger Jehlicka, director of intercollegiate athletics at UIS. "They don't go to South Dakota. They don't really go to Wisconsin. They pretty much stay in a couple hundred mile radius (of Springfield), maybe even less than that."

The athletic teams at UIS have some options when it comes to travel accommodations, but the ultimate decision depends on the budget because "They get X amount of dollars and have to make it work," Jehlicka said.

Teams can pay for a charter bus or pay per mile to use vans from Student Affairs or the Department of Central Management Services. "It's not a bad deal for us. It's better than going and getting a rental from Enterprise where you have to pay all the gas plus the mileage," Jehlicka said.

Student Affairs also has a 22-passenger mini bus but besides the per mile charge, there are also driver costs.

To save money on travel, some of the athletic programs travel together and play doubleheaders, some teams do not schedule the maximum number of games allowed and coaches have cut back on long distance recruiting trips.

"Fortunately we have coaches that are very conscious of how and where they spend their money," Jehlicka said. "They have to be because we have to stay within our budget. We aren't able to spend and go over."

Raegan Hennemann is a freelance writer from Springfield.

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