

Fuel for thought

As prices continue to rise, efficiencies must become top of mind

It might not be Whistler, Vail or even the local bunny slope, but the fastest-growing sport in Dubai, United Arab Emirate's searing 100° F heat is indoor skiing. A towering, state-of-the-art facility stands approximately 25 stories high with runs of more than 1,300 ft. and a vertical height of almost 200 ft. The park draws 3,000 people or more each day.

All it costs is a paltry 3,500 barrels of oil a day in equivalent energy costs to run. All of a sudden, that trip to the Rockies doesn't seem so expensive. But how does this affect us?



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The average price of unleaded gasoline in 2005, according to the U.S. Energy Information Administration, was US\$1.80/gallon. Runaway demand spiked in mid-2008 with prices over \$4.40/gallon. Prices now average around the \$2.65/gallon mark.

Fleet impact

In relative terms, the costs to purchase fuel and operate fleets of snow-fighting vehicles is 47% higher at today's prices than it was five years ago. That may not mean anything in the UAE, where fuel prices are heavily subsidized by the government to keep the masses at bay, but it very much makes a difference to you and me as we try to keep our trucks on the road.

In his book *Why Your World is About to Get a Whole Lot Smaller*, renowned economist Jeff Rubin stated he believes the price for unleaded gasoline at the height of the next economic cycle (projected to be 5-7 years from now) would reach US\$7/gallon. These are prices similar to those facing European markets today.

Rubin predicts a sea change in the



nature of North American business, economic structure and the very way our towns, cities and related infrastructure will come to be designed and maintained. As inflationary gasoline prices take hold, the demands for larger vehicles will change. It will no longer make economic sense for most North Americans to maintain the size and type of vehicles they drive today. The march to smaller vehicles will continue.

The world is dependent on increasingly more difficult-to-find and expensive-to-produce foreign oil. "Peak Oil" is the condition in which declining production and rapidly increasing world demand are at constant odds with one another. State-subsidized oil and gas prices in the Middle East—and insatiable demand for fuel in the world's emerging markets—are creating insurmountable stress on fuel prices. The quality of resources will deteriorate, and the costs to locate and produce those low-quality resources will spiral out of control.

Does that mean affixing a V-plow to the front of a Prius? Probably not.

It does mean, however, that the industry should consider fuel efficiency as an integral part of its business.

Hybrid opportunities

North America's automobile manufacturers have targeted fuel efficiency to meet the demands of the new economic reality—not to mention the stated mileage requirements of the new U.S. administration. The result is a new line of fuel-efficient pickup trucks, including hybrid versions of the 2009 Chevrolet Silverado and Dodge Ram to be introduced later in the 2010 model year.

Resulting fuel efficiencies from both of these new vehicles—as well as design modifications to conventionally fueled trucks—yield mileage improvements of between 10% to 30% or more.

If nothing else, these savings may help to stem the rising costs of running our businesses.

The pursuit for fuel efficiency is here to stay. Heavy equipment manufacturers like Volvo, New Holland and Komatsu have all ramped up development projects to introduce hybrid dozers and heavy earth-moving equipment.

Fleet purchasing agents have come to rely on aggregate fuel savings to switch from conventional fuel vehicles to hybrids. Often, the money saved in enhanced fuel costs can cover the purchase costs of the new vehicles within six to seven years.

While it is unrealistic to expect the industry to make a complete shift to hybrid vehicles, it remains a top responsibility for each of us to consider strategies that make a difference. These include fuel efficiency, proper maintenance plans for the fleets we run, and considering new ice management technologies to make the most of every mile we log on the road, providing our clients with quality service. **SB**

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