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FACE TO FACE WITH...

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Matt Tormollen is president and chief executive officer of FuelQuest Inc., a provider of supply chain management and tax automation software and services to the downstream energy sector. He has a bachelor of science degree in information systems management from the University of Maryland and more than 23 years of software industry experience. Tormollen was interviewed by Christine Hall.

Q Houston is home to many companies with sizeable fleet operations. What are the biggest fuel-related issues facing companies with fleets today?

A For companies using fuel to drive their businesses such as food distributors, waste haulers, freight transportation and bus companies, there are two primary issues — ensuring available fuel supply to power the fleet and procuring fuel at the lowest possible cost.

This, however, is not an easy job considering the constant fluctuation in fuel costs and the many variables in fleet

operations. For example, in recent weeks, diesel prices spiked upwards of 40 cents, causing additional unplanned operating expenses which, due to weakened demand, are increasingly difficult to pass through as price increases.

Developing a strategic fuel supply portfolio, accurately forecasting consumption patterns and sourcing fuel at the lowest possible cost are critical to any fleet business.

Q How has the recession impacted fleet operations and fuel price volatility?

A According to the American Trucking Association, overall truck tonnage has contracted to 2002 levels.

Weakened demand is predicted and, if accurate, the two-year decline in global consumption would be the first since 1982-1983. As a result, fleet operators are working to right size their fleets and streamline operations accordingly.

Despite the uncertain economic environment, 2009 has been a very erratic year in terms of gasoline and diesel fuel prices. This price volatility can further undermine business predictability from an earnings and investment perspective. The key to controlling operating costs related to fuel is not whether prices will rise or fall, but managing and capitalizing on price movement — often during an intraday period. This means that midsize- and large-fleet companies alike are striving to make more informed procurement decisions based on geographic demand patterns, optimizing the timing of fuel transport and stripping out inaccuracies in the financial reconciliation activities associated with fuel purchases. Simply put, effectively predicting and controlling operating costs is a primary way in which fleet operators can increase profitability.

Q Many businesses are still reeling from Hurricane Ike. What should companies that rely on fuel supply and transportation do to prepare for this year's hurricane season?

A Many Gulf Coast businesses learned hard lessons during Hurricanes Gustav and Ike. When Ike came onshore, refineries temporarily shut down and some pipelines were moving product at limited capacities. Following last

year's regional supply constraints, businesses that rely on bulk fuel and bulk fuel transportation are now placing hurricane preparedness at the top of their priority lists.

As we enter hurricane season, it is imperative for any fleet, transportation, retail or emergency management firms that rely on bulk fuel to evaluate current supply contracts and conduct business interruption planning ahead of any potential disruptions to the fuel supply chain. If a storm is likely to impact your company's operations this hurricane season, it is important to seek primary and secondary supply and storage options before a storm hits. By ensuring proper supply agreements and contingency plans are in place ahead of a potential supply constraint, most companies should be able to maintain adequate fuel reserves.

Q What do you see as future trends impacting businesses with fleets?

A 2009 is already the most volatile year on record for gasoline and diesel prices. This trend is only going to accelerate over time as suppliers increase the frequency of intraday pricing. For companies that have the right systems, processes and expertise to manage fuel themselves or via a partner, volatility provides opportunity to capitalize on price movements based on forecasted inventory. Companies that don't manage fuel any differently than other purchases or decentralize fuel contract management will likely be challenged by competitors that do. ■

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