

## 4.5 UNLEADED FUEL CARD IMPLEMENTATION

(All Wards) (Transport & Waste Services)

### KEY ISSUES

- Staff have identified operational cost savings to the City by using fuel cards for unleaded fuel.
- The benefit is that it will enable the delivery of larger quantities of bulk diesel fuel resulting in savings on the delivery cost of diesel purchased.

It is recommended that all City vehicles using unleaded fuel (with the exception of the fire emergency service vehicles) be provided with BP Australia fuel cards and all fire emergency service vehicles be provided with BP, Caltex and Gull fuel cards.

It is also recommended the City convert its unleaded bulk fuel tank to diesel, enabling larger volume diesel deliveries to occur.

### BACKGROUND

The City of Swan purchases both diesel and unleaded fuel in bulk supply, delivered to the City's depot in Middle Swan. This fuel is purchased utilizing the State Government Common Use Contract 31101.

The City purchases approximately 1 million litres of diesel and 350,000 litres of unleaded fuel per year.

Operational benefits and fuel cost savings can be obtained by converting the City's light fleet of vehicles (sedans, wagons) from bulk supply to fuel cards, and therefore converting the existing unleaded fuel tank at the depot to diesel fuel storage.

### REPORT

The conversion from bulk unleaded fuel to unleaded fuel cards has the following benefits:

- 1) It will enable larger volumes of individual deliveries of diesel fuel, resulting in a reduction in delivery costs for this fuel, and savings to the City.
- 2) Savings on unleaded fuel costs utilizing fuel cards over bulk fuel. As the City's delivery quantities of unleaded fuel are usually only approximately 8,000 litres to 10,000 litres at any one time with resulting high delivery costs, a significant fuel cost saving should result from using fuel cards.
- 3) Reduction in the vehicle travel required to and from the depot for refuelling. Vehicles at the City's Administration Centre in Midland are required to do a 6km round trip to and from the depot to refuel.

The round trip between the City's Administration Centre and the depot involves at least 20 minutes per fuelling, with other areas being much greater.

Vehicles parked at other City facilities have a far greater travel distance if they are to fuel at the depot, forcing many to use Credit Cards for fuel purchases. The use of Credit Cards means no discount is obtained on the fuel purchase.

The cost of travel to the depot for fuel is not only in fuel cost and vehicle use but also in the operator/drivers travel time.

- 4) Reducing the amount of vehicles, including fuel tankers entering the depot area. This reduces the risks and security issues involved in traffic movement in the depot.
- 5) A reduction in the number of purchase orders and associated administration work required for both diesel and unleaded bulk fuel.

The purchase and use of fuel cards will be carried out under the same State Government Common Use Contract 31101 as currently used for bulk fuel purchases.

The current contractors on the panel of providers for 31101 are:

- BP Australia
- Gull Petroleum
- Caltex Australia

The City currently uses BP Australia for their bulk diesel and unleaded fuel supply.

### **Fire and Emergency Services**

The fire services and emergency vehicles which the City also manages use a Fleetcare fuel card system to purchase both diesel and unleaded fuel.

This gives all these vehicles access via multiple cards. These cards are for use at Caltex, Mobil and Shell outlets. A comparison of this system is included below.

The proposal is to bring these vehicles into the same fuel card system as the remainder of the City's fleet.

As these vehicles require access to a wide range of outlets it is proposed to replace their current Fleetcare card system with cards from all three companies on Contract 31101 being Caltex, BP Australia and Gull.

Transport and Waste Department are to liaise with the City's Community Emergency Fire Services on the changeover and timing to implement the new cards for this section.

### **Evaluation Trial**

An evaluation of six (6) of the City of Swan vehicles carried out in July and August 2006, has shown BP Australia discounted bowser prices varying from 117 cents per litre (cpl) to 124cpl, for an average of 121 cpl. The City's delivered bulk fuel price for unleaded fuel for the same period averaged at 123 cpl. All prices are excluding GST.

Fuel prices have since dropped during September.

The trial has also been used to investigate the administration issues associated with using the card system, including obtaining accurate fuel consumption and odometer reading information, essential for the City's fleet management.

The trial has shown that the monthly summary account will be able to successfully be transmitted electronically to the City of Swan and integrated into the City's financial system, giving vehicle registration, odometer readings, details of fuel purchased and fuel economy for each vehicle.

**Comparison between Companies on Contract 31101 and the Fleetcare Card**

**Price Comparison**

	<b>Caltex</b>	<b>BP Australia</b>	<b>Gull</b>	<b>FleetCare</b>
Discount (cpl)	3.30	3.35	5.25	2.50
Discount Base	On Pump Price at time of sale	On Pump Price at time of sale	Discount on Intervention Price.	On Pump Price at time of sale
Other fees	No other transaction fees	No other transaction fees	Card issue fee of \$6 per card	Transaction fees of between 45c and 60c apply per sale for Caltex and Shell.

The Intervention Price base that Gull uses is a benchmark price set daily by the Australian Petroleum Marketing Monitor (APMM). The 5.25 cpl value corresponds to approximately the same pump price discount that BP Australia offer.

**Available Outlets**

BP Australia - 6 Outlets in the City of Swan including:

BP Morrison Rd, Midvale

BP Great Eastern Hwy, Bellevue

Caltex: 7 Outlets in the City of Swan.

Gull: 4 Outlets in the City of Swan

**Fuel Pump Price Comparison**

Studies of the fuel prices for the various outlets in the City of Swan for the first two weeks of September 2006 show the following comparison:

<b>Company</b>	<b>Lowest Price</b>	<b>Highest Price</b>	<b>Average</b>
Caltex	111.2	117.6	113.8
BP Australia	110.5	116.3	113.5
Gull	110.4	116.0	113.6

All prices are exclusive of GST.

## **ATTACHMENTS**

Nil

## **STRATEGIC IMPLICATIONS**

Nil

## **STATUTORY ENVIRONMENT**

Nil

## **FINANCIAL IMPLICATIONS**

There is little variation in fuel card price and services offered between BP Australia, Caltex and Gull. However, BP Australia does provide a slightly larger discount on fuel card services.

BP Australia also supplies the bulk diesel fuel at a lower cost than Caltex, with no drop charge above 30,000 litres. Caltex have a drop charge of 0.78 cpl for the same amount.

The City is currently using BP Australia for bulk fuel deliveries and has had no issues with these deliveries.

## **RECOMMENDATION**

That the Council resolve to:

- 1) Provide all City vehicles using unleaded fuel (with the exception of the fire emergency service vehicles) with BP Australia fuel cards. These cards will be available for unleaded fuel purchases only.

- 2) Provide all the City fire emergency service vehicles with BP Australia, Caltex and Gull fuel cards. These cards will be available for both diesel and unleaded fuel purchases only.
- 3) Set up the required system utilizing the City's financial system to best administer the management of the fuel sales and the information required for the fleet management.
- 4) When the fuel card system is successfully operating, convert the existing 20,000L unleaded fuel tank in the depot to diesel fuel.
- 5) Continue to utilise BP Australia for the bulk diesel fuel deliveries, ensuring deliveries of more than 30,000 litres whenever possible.
- 6) If required, utilise the services of Caltex and/or Gull for bulk deliveries.

**CARRIED**