



IMPACT OF FUEL ABUSES ON THE ECONOMIC SITUATION OF TRANSPORT COMPANIES

*Daniela Todorova*¹

SUMMARY

Every day companies operating in market economy have to solve problems related to their survival and development. In that regard, each company analyzes its activity to evaluate its efficiency and competitiveness by applying certain revenue-increasing and expenditure-decreasing measures.

The costs of transport companies are an element of the transport service prices and at the same time they are a criterion for their setting. Their proper determination and calculation are a prerequisite for efficient pricing. The difficulties occurring with determining the costs of transport companies are connected with the peculiarities of activities being performed and their organization.

On one hand, the total company's costs determine the type, statute, size and structure of the company, and on the other hand, they depend on the different conditions and modes of transportation. The relations with customers are also of certain importance for the amount and structure of costs as customers determine the main requirements in terms of shipments. These main groups of factors interact and influence on the costs of transport companies.

The specific nature of the transport process requires use of significant amount of current assets – fuels, lubricants, spare parts, etc., which have substantial value.

The fuel abuse is one of the greatest problems in the transport companies. Almost every manager has faced this problem and adopted different anti-abuse measures accordingly. In value terms the expenditures in the transport company are the total amount of the inputs and the paid remuneration.

Besides the factors enumerated above, the fuel costs depend on the prices it is bought at. The companies that have bigger vehicle fleet could reduce the fuel costs, which have a considerable share in shipment prime cost, by building their own petrol stations. The delivery of fuel directly from producers' warehouses could reduce the price by about 30%. With filling from own petrol stations, it is easier also to control the quality of fuels that directly influenced on the fuel consumption and indirectly on other costs of the carrier

¹ "Todor Kableshkov" University of Transport, Sofia, Bulgaria email: daniela_dt@abv.bg



occurring with the use of low-quality fuels (spare parts, repairs, costs for stay due to damages, etc.).

Fuel costs often could be lower than the calculated normative consumption due to the following reasons:

- the basic fuel consumption standard per a distance of 100 km has been calculated with a certain reserve;
- vehicles are driven under conditions that are more favorable than those used to calculate the correcting coefficients for specific operational conditions: driving on warm days; driving in regions of in big cities where there is no heavy traffic; transportation of light cargo; driving without air conditioning, etc.;
- influence of subjective factors: drivers of different experience, psychological environment in the team; personal problems of drivers, relations with other participants in traffic, etc.

The human factor is of great significance to reduce fuel costs: the efficiency of work in a company depends much on vehicle drivers, supervisors and maintenance mechanics.

A particular important element in reducing prime cost is the availability of complete and reliable information about the fleet, routes of running, actual fuel consumption, etc. The information given by drivers, supervisors and mechanics is often contradictory and inadequate but it is not possible to make proper management decisions without objective information.

To carry out an adequate market policy, including prices, it is necessary to determine the costs and prime cost in transport companies in three aspects:

- for particular shipment;
- for a certain period of time by vehicles;
- for the overall company's activity for a certain period of time.

Before beginning the cost calculations for a certain shipment, it is necessary to establish the particular conditions, which it will be implemented under, and to ensure information that will be used for the quantitative assessment of factors influencing on these costs. It is necessary to have information about the route of shipment and the main technical and economic features of vehicles used. The charges paid with shipment are directly dependent on the particular route. The methods of determination and payment as well as the amount of charges vary by country and depend on the mode of transport, the type of vehicle, the type of freight, the crew's qualification and experience. The time of traveling depends on the conditions of shipment along a particular route. The time is determined by:

- distance;
- road conditions;
- stays at borders;



- places of loading and unloading;
- the time for the rest of crews, etc.

With determining the distance, the quantities of loaded and empty mileage should be considered as well.

The increase of the transport service efficiency without increasing the prime cost could be achieved by saving and rational use of raw materials, consumables and energy.

The costs of material and tangible nature present a big share, over 80%, in the prime cost of shipments. It is why the savings of these costs affects prime cost to a greater extent than the savings of salary costs. To retain the prime cost of transport services unchanged is possible not only by the relative reduction of material costs (for fuel, tires, energy per a unit of transport production), but also by the absolute reduction of these costs, i.e. by reducing technical standards.

For instance, the improvement of mileage coefficient reduces the relative share of costs of fuel and tires in the prime cost per 100 km of mileage but if fuel savings at 100 km of mileage and tire durability are increased, the prime cost will be reduced.

To save material, fuel, tires and energy, most of reserves could contribute, namely:

- drivers' qualification,
- control on fuel consumption,
- condition of vehicles,
- condition of road network.

Experience has shown that only the overrun fuel is registered in travel sheets and books. If there is fuel saving, it is not registered and is misappropriated by the driver or petrol station operator.

The paper discusses different approaches influencing the control of fuel consumption. Reducing fuel abuse is one of the options to reduce expenditures and cost price of the transport companies. The cost price of transport significantly affects the amount of the profit and profitability of the transport company.

Keywords: transport companies, control of fuel consumption, cost price