

MANAGING THE COSTS

INCEASING FUEL PRICES

Please Give Me $50

DISCUSSION PIECE

Written by Mick Humphries

Australian DRIVER TRAINERS Association



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Imagine you are sitting at a café having a coffee and I wander past and say, “Can I have fifty dollars please?” You would be full of indignation, confusion and certain that you are not going to part with your cash that you have worked hard for. And quite rightly so.

Let me rewind and follow a couple of “thinking threads”.

Earlier this week I put some petrol in my car and it was about $1.65. Still not cheap but about what you expect. Three days later I needed some more and it was $1.87 (which was still best price in Goondiwindi) so I begrudgingly filled up. I went past the same service station just yesterday and it was $2.09. That’s 44 cents in five days.

When I started my journey in this profession I was paying about 40 cents for fuel. This meant that as a percentage of my $40 lessons the fuel was a small portion turnover. Sadly, we see lessons 36 years later at $80 ish. The lesson coast has doubled, yet the fuel has gone up 550%. This is a greater impost and is leading to the degradation of your bottom line.



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Essentially, the extra fuel cost is being borne by your pocket. The money that you could be taking your grandkids for sushi with, the money you could be tucking away for your next holiday or the money that could be going into a term deposit or shares. Whatever you would like to do with your profits, you now have less.

Do you know how much fuel your car consumes per lesson? This includes driving between lessons and travelling to / from home.

I work at about 4 litres / lesson with the running around costs attached. With an extra 40 cents a litre that we are seeing this week, that is $1.60 / lesson. Say 30 lessons per week and you have burned about $50 extra fuel a week. Straight out of your pocket....dead loss.

We could discuss the reasons for overseas conflicts and oil flow and profiteering by oil companies, but for now you need to take action to protect your income, your profit and your lifestyle. A number of analysts have suggested that we could see prices north of $3.00 in the medium term. Lets do the maths on that. An extra $1.30 per litre x 4 litres per lesson x 30 lessons per week = $156.00 every week that could potentially be lost from your bottom line.



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The Answers (Remember, this isn't advice, just a discussion with an old truck driver)

1. Charge sustainable rates for your lessons.
   If you are sitting anywhere below about $90 - $100, as I have demonstrated in the past, there will be more profit in working at your local IGA.

2. Use fuel discount apps. These can save you up to 10 cents in some instances.

3. Fill up during the lower ebb of the fuel pricing cycle. Tue / Wed are the best picks.

4. Introduce a Fuel Levy.
   This one will require some thinking about. Rather than a general increase in lesson costs a temporary fuel levy might be more palatable for a number of reason.
   a) The terminology gives a clear description as to the "why" of the situation
   b) It will be affordable for the customer ($2.00 / lesson is negligible to them but cumulatively important to you)
   c) Can be wound back when the fuel prices come back to a reasonable level
   If you choose this pathway it MUST be clearly communicated to the customer. It can't be "tacked on" at the end.



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5. New car time?
   Have you considered hybrid or electric (yes I said electric) alternatives? If your car is due for replacement, look at these options as they may be a good long term proposal for your business model.

So, does this sound necessary? If you value your time, skills, knowledge and service you need to ensure you maintain appropriate remuneration for yourself and family. This situation will hit any business that runs on wheels. I was speaking with a transport operator the other day who advised if fuel hits $2.00 (which it has) he is going to spend an extra $3,000 PER DAY on diesel. He has introduced a fuel levy.

I am a strong believer that we are all very good at what we do but sometimes we need to look at our business, its structure and how we manage all facets. As a part of your considerations today, please look at the opportunity to do a full cost analysis of your business and make sure that you are earning what a true professional should.

THANKS FOR READING

Mick