

## WHEN TO ADD A TRUCK

by  
*John H. Nardozzi, CPA*  
*Nardozzi Consulting, LLC*

Let's face it, we love our trucks. An oil delivery truck is a large, mobile symbol of your oilheat company. And an expensive one. That's why oilheat dealers of all size lavish so much attention on their trucks. From snappy paint jobs to careful maintenance, that major investment must be protected.

But trucks don't last forever (although there are a few dealers who are determined to prove this theory wrong). The decision to invest in a new delivery truck is not an easy one to make. Issues of timing, financing, tax planning and the simple, physical need for a new vehicle must all be weighed before proceeding. Here are a few thought that might help make your truck buying decision more clear-cut.

The very best reason to purchase a new truck is to replace an old one. When repair costs, limited delivery capacity, increasing downtime and safety concerns combine to increase your cost per delivery, it makes sense to bite the bullet and invest in a new vehicle. In a replacement situation, you are assured of good utilization of the new truck right away, and should gain efficiencies in areas such as delivery capacity and fuel mileage.

Remember: the time to put the replacement on the road is before your old truck collapses in a heap during the middle of the heating season. Don't get caught trying to stretch too many miles out of your "old workhorse" before putting it out to pasture.

A more difficult question is one of adding a new truck to your existing fleet. Let's say business is strong, as it has been for most dealers in New England over the past few heating seasons. Your trucks are busy all the time, and it seems your drivers are going non-stop. Is it time to invest in another truck to ease the burden and perhaps expand your customer base?

This is a classic "Catch-22" situation. Should you purchase a new truck in anticipation of gaining enough new business to keep it busy? Or should you wait until you have the business in hand before buying—meanwhile putting enormous strain on your existing delivery system and possibly jeopardizing customer relationships?

Let's add some logic to this gut level decision making process.

According to our industry-leading FuelTrack oilheat management analysis, the typical delivery truck can drop approximately 650,000 gallons per season. This is based on a daily capacity of 4,000 gallons (179 gallons per drop x 3 drops/hour x 7.5 hours), over a 162 day heating season. That means you should have a delivery truck on the road for every 650,000 gallons of oil you expect to sell.

The guesswork comes in trying to anticipate how many gallons of oil you will be delivering in the upcoming season. Your oil contracts will provide a good indication of what to expect in this regard. Still, there is no guarantee that one of your trucks (certainly not the new vehicle) may sit idle if the winter is particularly mild.

The decision becomes easier if you have an older truck that is nearing the end of its useful life. If the winter is harsh and busy, your new truck was a timely purchase. If the winter is slow, consider retiring the older vehicle early.

Two other issues surrounding the number of trucks you have in your fleet are seasonalization and number of drivers.

Many oilheat companies find it economical to take a number of trucks off the road during the summer and early fall. The expense of preparing and garaging the idle vehicles can be more than offset by savings in excise tax and insurance costs.

The number of delivery drivers you employ is also a variable that can affect your bottom line. A good rule of thumb to use in staffing your delivery team is seven full-time equivalent (FTE) drivers for every ten trucks. This could be a combination of three full-time drivers and eight seasonal drivers. Keep in mind that the FTE number is spread out over the entire year. In actuality, you may employ additional drivers during the height of the season, and cut way back during the off season.

Strictly from a financial standpoint, delivery trucks are not the greatest investment. You pay a lot of money for the equipment, then spend a ton more in maintenance and operating costs. But the truck is the business end of the entire oilheat delivery system. Anticipating the need and timing for replacement or addition to your truck fleet will always be part art form, part calculation.

*John Nardozzi of Nardozzi Consulting, LLC provides valuation, transaction advice and business management services for fuel oil retailers and distributors. He can be reached at (617) 487-4752, or [jnardozzi@nardozziconsulting.com](mailto:jnardozzi@nardozziconsulting.com).*