Cost Avoidance of Delivery Fuel Surcharges & “Greener” Purchasing Practices
Challenge – Increased Fuel Costs

• Many suppliers are adding “fuel surcharge” to U of M orders due to the increased cost of diesel and gasoline.

• Contractual language allows approved cost increases.

• Office Max does not want to add a fuel surcharge. However, relief from fuel cost increases is necessary.
What if We Had Stayed Status Quo?

- OfficeMax would charge a $3.50 fuel charge for all orders under $50. Estimated impact is $150,000 per year.
- Departments could continue to place orders for any dollar amount.
- OfficeMax would deliver Monday thru Friday.
How Did We Avoid the Surcharges?

• Beginning June 1, Office Max will deliver Mondays, Tuesdays, Thursdays, and Fridays

• Orders placed on Tuesday are delivered Thursday

• Nothing else changes
How Does this Help our Environment?

- Reduction of CO₂ air pollution each year = **26 Tons**
- Diesel fuel saved each year = **2,327 gallons**
- Delivery miles saved each year = **23,775 miles**
- This is equal to driving a midsize car from Ann Arbor to the Mackinac Bridge over **330 times**!
What is the North Campus Savings?

- Fuel Surcharge Cost Avoidance = $17,894
- Reduction of CO$_2$ pollution = 5.4 Tons
- Diesel Fuel Saves = 479 gallons
- Delivery miles saved = 4,898
- This is equal to driving a midsize car from Ann Arbor to the Mackinac Bridge over 69 times!
What is the U-M Health System’s Savings?

• Fuel Surcharge Cost Avoidance = $49,308
• Reduction of CO₂ pollution = 7.3 Tons
• Diesel Fuel Saves = 652 gallons
• Delivery miles saved = 6,800
• This is equal to driving a midsize car from Ann Arbor to the Mackinac Bridge over 94 times!
What are Central Campus Savings?

- Fuel Surcharge Cost Avoidance = **$43,608**
- Reduction of CO₂ pollution = **7.4 Tons**
- Diesel Fuel Saves = **665 gallons**
- Delivery miles saved = **6,800**
- This is equal to driving a midsize car from Ann Arbor to the Mackinac Bridge over **96** times!
What is the South Campus Savings?

• Fuel Surcharge Cost Avoidance = $28,934
• Reduction of CO₂ pollution = 6 Tons
• Diesel Fuel Saves = 531 gallons
• Delivery miles saved = 5,421
• This is equal to driving a midsize car from Ann Arbor to the Mackinac Bridge over 77 times!
Consolidating Orders and requiring fewer deliveries reduces our Carbon Footprint on the environment.
What is our Current Ordering Pattern?

- $0 - $10: 11%
- $11-$25: 15%
- $26-$50: 18%
- $50+: 56%
What if We Consolidated to $50?

One $50 Order vs. Five $10 Orders
The University’s Estimated Savings

- There would be ~ 22,806 fewer orders
- There would be ~ 11,517 fewer cartons consumed
- There would be ~ 7.7 Tons of corrugated saved
- There would be ~ 3,171 Gallons of diesel fuel saved
- Equivalent to driving to Mackinac Bridge 690 times

Consolidate your ordering when possible. These are estimated additional savings if our average order is $50 or more.
What’s Up with 1 Item in a Big Box?

- Suppliers typically have limited sizes of packages – OfficeMax has 3 standard sizes
- Envelopes and tiny boxes do not consistently provide enough protection – items get damaged in transit
- Special items ship can ship direct from manufacturer

Consolidating orders whenever possible will help reduce receiving orders with one item in a large box
The small changes that you make when ordering, can produce tangible real World benefits.

Together we can build environmentally responsible solutions!
Questions?

Contact
Bonny Webber
Manager
Procurement Services
bwebber@umich.edu
743-647-6326