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## BUSINESS IMPACTS: Gas prices curtail hires, cause retail surcharges

BY ALEJANDRO BODIPO-MEMBA

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**Ashley's Flowers** in Detroit can't afford to hire any more drivers to make deliveries because of high gas prices, so it relies more on runners to make the runs on foot.

With gasoline prices on the verge of hitting \$3 a gallon, a growing number of businesses have to cut back on staff or add so-called fuel service charges to make up for money being spent on gas.

"We haven't passed on the exploding costs yet, because we're just trying to hold on believing that, as we approach September, those prices will go down," said Selma Massey, co-owner of Ashley's Flowers, which has four locations in downtown Detroit. "The bigger impact is that it causes us not to hire more drivers. We haven't laid anyone off but haven't been able to hire new people."

There was a bit of good news for consumers Wednesday as prices for September delivery of crude oil -- the feedstock of gasoline and diesel -- fell \$2.83 to settle at \$63.25 on the **New York Mercantile Exchange**.

Gasoline in Michigan is averaging \$2.67 a gallon for regular. Nationally, the price for gasoline is \$2.56 a gallon.

Diesel fuel used to power 18-wheelers is at an all-time high of \$2.56 per gallon across the country. The average price of retail diesel jumped a record 16 cents per gallon in the largest single-week increase, according to the U.S. Department of Energy.

"With the trucking industry's overall profit margin of around 2%, the costs of fuel are filtered down the line and result in higher consumer product costs," said Walter Heinritzi, executive director of the **Michigan Trucking Association** in Lansing.

Some companies like **FedEx Corp.** and **United Parcel Service Inc.** charge per-package surcharges using an indexing system related to the price of gas nationally. For example, with the current 12.5% fuel surcharge on a \$5 package delivery, Federal Express would tack on an additional 96 cents to the cost of the service.

Officials at Ann Arbor-based **Domino's Pizza Inc.**, which has had a delivery surcharge at 45% of its 5,000 stores for several years, said the fee is designed to address "overall vehicle maintenance."

Others companies like **Art Van Furniture** are trying to employ technology to make their delivery systems more efficient.

The company, which has 400 trucks and vans delivering furniture throughout Michigan, has a new logistics system that is able to coordinate deliveries based on geography to avoid duplicate runs.

But not all big corporations are making their customers pay.

"We haven't passed on any surcharges on to our customers," said Cathy DiSante, a spokeswoman for Art Van Furniture in Warren. "We're trying to reduce our expenses by more efficient delivery and ensuring that guests are at home and we deliver full trucks, instead of going back twice."

Economists point out that smaller businesses are usually the most vulnerable to escalating fuel costs during the height of the transportation and driving seasons.

"Anytime a business sees a cost hike like what we've seen this year with energy costs, they've got to ask the question, 'Where do I reduce the costs on the other side?' " said Joel Naroff, founder of **Naroff Economic Advisers** in Holland, Pa. "The average person may not see an increase in consumer price inflation, but they are also feeling it on the intense pressures to work hard, longer and at much lower or slower rising wages."

Contact **ALEJANDRO BODIPO-MEMBA** at 313-222-5008 or [bodipo@freepress.com](mailto:bodipo@freepress.com).

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