

# How fleet managers can mitigate costs in the face of fuel price hikes

By [Thenjiwe Tsabedze](#)

1 Mar 2024

The Minister of Finance's recent announcement in his budget speech regarding the increase in the carbon fuel levy and the forthcoming proposal for the second phase of the carbon tax is poised to have profound implications for the fleet management industry. The hike in carbon fuel levies for petrol and diesel will inevitably escalate the operational costs of fleet management companies. With the surge in fuel prices, organisations will grapple with heightened expenses in fuelling their fleets, potentially resulting in diminished profit margins unless counteracted by strategic cost-saving measures.



Source: Markus Spiske via [Pexels](#)

According to the [Modor Intelligence report](#), South Africa, road transport dominates freight transportation, representing about 63% of all freight ton-kilometres. Therefore, efficient fleet management is integral to sustaining the economy by ensuring smooth logistics and delivery services. It plays a vital role in optimising the transportation of goods from producers to consumers. However, a key determinant influencing the dynamics of this industry is the price of fuel.

While the price of fuel remains beyond control, fleet managers possess the capacity to influence fuel consumption, thereby mitigating overall costs. Fuel management has historically posed a challenge for fleet operators; however, in 2024, a notable trend is anticipated in the adoption of Intelligent Fuel Management tools. These innovative solutions offer real-time monitoring and optimisation of fuel consumption, thereby mitigating operational costs and fostering efficiency.

## Leveraging data and telematics

The significance of data and reporting, particularly when coupled with the integration of advanced telematics systems, optimise fuel consumption. This, including the implementation of driver training programmes to promote eco-driving techniques and incentivising drivers to refuel at low-cost providers emerges as pivotal strategies in curtailing expenditure.

The significance of telematics tracking cannot be overstated. By harnessing telematics, fleet managers gain invaluable insights into vehicle and driver performance, enabling informed decision-making that optimises operations and bolsters productivity.

Moreover, in an increasingly remote work environment, the demand for Remote Fleet Management Solutions has become more pronounced. Comprehensive fleet management software facilitates seamless communication and real-time monitoring of fleet assets, irrespective of geographic location.

## **Adapting to fuel price fluctuations**

The cost of petrol in South Africa surpasses that of most African nations, with the exception of Zimbabwe. Various factors, including currency fluctuations, influence the final fuel price, which is further compounded by additional charges such as levies, taxes, and margins at the pump. This unpredictable pricing on fuel in South Africa underscores the importance of fuel cost management and sustainability in the fleet management industry. Fleet managers will need to adapt to these changes proactively, seeking opportunities to improve efficiency, reduce costs, and navigate evolving regulatory landscapes to ensure the continued success of their operations.

The reason for the fluctuation in fuel prices in South Africa every month is primarily attributed to the Basic Fuel Price (BFP). This BFP, which is mainly influenced by fluctuations in crude oil prices and changes in the rand/dollar exchange rate, is calculated daily, and the monthly average adjustment is incorporated into the subsequent month's pricing. In contrast, other elements of the fuel price are typically reviewed on an annual basis. This constitutes the Fuel Levy, which is a government tax, along with the Road Accident Fund Levy, serving as insurance for all road users. Collectively, these components make up approximately 40% of the petrol price. Wholesaler margins along with various smaller price elements, amount to around 3% of the overall fuel price.

In essence, staying abreast of these trends will be paramount for organisations seeking to flourish in the ever-evolving landscape of fleet management. Embracing innovation and leveraging advanced technologies will not only optimise operations but also pave the way for sustainable growth and success in the industry.

Fleet management companies will also need to closely monitor the development of the second phase of the carbon tax and actively engage in the public comment process outlined in the discussion paper. Understanding the potential regulatory changes and their implications will be essential for effective long-term planning and compliance.

## **ABOUT THE AUTHOR**

Thenjiwe Tsabedze, CEO, Afrirent Holdings.