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Wal-Mart Truck Fleet Rolls Fuel Savings

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BENTONVILLE, Ark. — Wal-Mart Chief Executive Lee Scott laid out ambitious environmental goals in late 2005 as the world's largest retailer sought to burnish its reputation against mounting criticism.

Nearing the two-year mark, Wal-Mart Stores Inc. is still compiling a major report on how far it has come with the program overall, including reducing waste, using more renewable energy and stocking more green products.

But one division says it is already well under way to meet its goals. Wal-Mart's fleet of about 7,200 semitractor-trailer trucks is already about 15 percent more fuel efficient and the company knows what changes it needs to make to meet a target of 25 percent by late next year.

The annual savings in carbon dioxide, a greenhouse gas, would be equal to taking 67,744 cars off the road.

"We're real proud of where we've gotten to already," said Tim Yatsko, senior vice president of transportation for Wal-Mart Stores Inc.

Industry experts and environmentalists say Wal-Mart is ahead of other trucking operations. The Sierra Club, an ally of Wal-Mart's union-backed critics, says the retailer's demand for vehicles could prompt truck makers to bring more efficient models to market faster.

"They are pushing beyond what the trucking industry has already decided to do. Because of their size, I think they will create economies of scale for more efficient trucks," said Daniel Becker, director of the Sierra Club's global warming program.

Wal-Mart's fleet regularly ranks among the top 10 private fleets in corporate America, alongside company-owned lines such as Pepsi, Tyson Foods and Sysco Corp. Its trucks will drive about 900 million miles this year ferrying goods to about 4,000 U.S. stores.

Becker said he shares union criticism of Wal-Mart over its labor practices but that Wal-Mart deserves recognition for its fuel effort. The Sierra Club is a member of the union-funded group Wal-Mart Watch that attacks the retailer over issues including wages and benefits.

Great Dane Trailers, which is developing a more aerodynamic trailer for Wal-Mart, says the retailer is more involved than any other carrier in developing fuel efficient trucks.

"Wal-Mart is doing more than any other fleet I know of," said Charles Fetz, vice president of research and development at Great Dane.

Analyst Chaz G. Jones from Morgan, Keegan & Co said he is not aware of any other trucking operator pushing as hard as Wal-Mart on fuel efficiency. He noted that company-owned truck lines have more incentive to save fuel because they cannot easily impose a surcharge on customers for higher diesel prices, as many for-hire carriers do. Wal-Mart needs to keep fuel costs capped to avoid raising prices on its shelves.

The targets set by Scott in December 2005 were a 25 percent improvement in three years and a 100 percent increase by 2015.

The federal Environmental Protection Agency estimates that Wal-Mart's goal of 25 percent will reduce its fleet's emissions of carbon dioxide by about 345,000 tons a year. Doubling fuel efficiency will cut out over 690,000 tons a year.

That latter target would cut carbon emissions by the same amount as getting rid of 135,489 passenger cars or about one 225-megawatt power plant, according to the Alliance to Save Energy, an industry group.

The Sierra Club's Becker says those savings are "nothing to sneeze at" for a single fleet, considering that new fuel efficiency standards for passenger vehicles under debate in Congress would cut 285 million tons of CO2 annually in 2020 from the much larger number of cars, light trucks and SUVs.

Wal-Mart's Yatsko said the fleet is already running about 15 percent more efficiently at an average of about 7 miles per gallon compared to a 2005 base of about 6 mpg.

Increasing the average mpg by one gallon saves Wal-Mart between \$35 million and \$50 million a year, Yatsko said.

The 15 percent gain has come mainly from three changes: A fuel additive mix, more fuel-efficient tires and small diesel generators called Alternate Power Units added to tractors to provide power for things like heating and air conditioning in the cab, allowing the big truck engine to be turned off rather than idling when the truck is parked.

Yatsko says Wal-Mart knows where the remainder will come from to meet the 25 percent target by late 2008.

New trucks that are already coming to market will yield about 8 percent more efficiency due to more aerodynamic design and lighter components. Another few percentage points will come from tire innovations that Yatsko said he is not ready to make public just yet.

Yatsko said that the 25 percent gain will apply to most of the fleet but not to all of it by late 2008. Wal-Mart will need to switch out its older trucks over time but expects to have at least half the fleet up to date with the most efficient trucks by the end of 2008 and the rest completed by 2010.

As the retailer continues to look for fuel gains in components, driving practices, tires, fuel and other areas, the total effect could be a savings of 28 or 30 percent from the 2005 base by the time the entire fleet is updated, Yatsko said.

That leaves the 100-percent goal.

Yatsko says the biggest piece of the solution will come from future hybrid diesel-electric engines. Wal-Mart is pitching in \$2 million a year for research and development by two teams of national truck manufacturers -- International Truck with ArvinMeritor Inc. and Peterbilt with Eaton -- and has agreed to buy the prototypes.

New hybrid engines will deliver about a 50 percent efficiency increase on top of the 25 percent set for next year, Yatsko said.

Wal-Mart is also working with Great Dane on prototype trailers that would cut fuel use with the help of aerodynamic designs, including adding a cover or skirting down the sides at the bottom of the truck and crimping the back end of the trailer so that the sides and top turn in.

The effect of that back end design could add 5-6 percent to fuel efficiency by cutting wind drag, Yatsko said.

All of this work has to pay for itself, Yatsko said. Changes and additions to the fleet have to provide a return on investment or they cannot be sustained, he said.

"I definitely think we're leading the industry," Yatsko said.

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