

# Portland Fixed Supply – Worked Example

Falcon Transport Ltd is a plant and equipment operator using 150,000 litres of diesel per month.

Falcon Transport often quote for jobs that run for several months and need to know their long term fuel costs to stick to their budgets. Portland agrees to supply Falcon Transport with 108,000 litres (3 x 36,000 litre loads) of diesel every month for 12 months at £0.95. Falcon Transport elect to purchase any extra fuel they need from their existing suppliers so their supply remains flexible in the event of a quiet spell.

For the first two months of the year, wholesale fuel prices drop by 2ppl (pence per litre). Falcon Transport pay their fixed price of £0.95 and meet their budgets.

Wholesale fuel prices then rise steadily for the remainder of the year, ending up 10ppl higher than when Falcon Transport agreed their fixed price. Falcon Transport still pay their fixed price of £0.95 and still meet their budgets.

**Portland deliver and invoice for the fuel just like a regular supplier but with one key difference - the agreed price does not change for the length of the deal.**