

GAS VS DIESEL

In today's uncertain economic times, business owners and fleet managers are constantly trying to find cost saving solutions. A common direction is looking into their vehicle fleet in an attempt to control expenses and increase the bottom line. Today's automotive fleet market offers most commercial vehicles in both gas and diesel applications. As leasing executives we are often asked the question; gas or diesel, what makes more sense? This article will explore the benefits and drawbacks of both, as well as examining what considerations should be taken into account when making an informed decision between the two.

ACQUISITION COST AND FUEL EFFICIENCY

As gas prices rise, many businesses have considered the benefits of running diesel vehicles. The department of energy claims that on average, diesel engines offer approximately 30% greater fuel efficiency than their gas counterparts. However, when making an informed decision we must take into account the greater capital cost at initial purchase. On average a three quarter ton commercial diesel vehicle costs \$10,000 more than its gasoline equivalent.

Will the truck or van be driven enough to warrant the additional capital cost?

"The general rule of thumb is that a diesel engine starts to make economic sense only when usage is above 45,000 kilometers per year. Below this threshold a gasoline engine is normally more viable."

To determine what makes most sense for your business, run a fuel cost analysis specific to your truck's application to calculate the payback period and assess whether the diesel engine will generate sufficient cost savings within an acceptable time frame.

ENGINE LONGEVITY

An example can best illustrate this next point. The gasoline engine for Isuzu's NPR (small cab forward truck) is rated for 320,000 kilometers; the diesel counterpart is rated for 500,000 kilometers. The questions you need to ask is, how many years do you intend to keep the vehicle, and how many kilometers are expected per annum. Much like the discussion regarding the capital cost in comparison to fuel efficiency, the diesel engine will need to be in use for a longer period of time to get the desired financial payback.

MAINTENANCE

Over time a diesel engine will cost more in regular maintenance than a gasoline engine. The diesel engine has more components than gas engine, hence service intervals are shorter and there is more general maintenance needed. These can include replacement of engine oil, spark plugs, and engine coolant. Truck experts have often documented the need for increased oil usage as well as changing the filters more often than with gas engines.

REMARKETING/RE-SALE

Which is better at time of disposal or re-sale? The common belief is diesel. The resale market perception is that a diesel powered truck with 180,000 kilometers on it has much more remaining useful life than the gasoline powered equivalent. Auction values for diesel trucks support this argument.

There are lower numbers of diesel commercial vehicles on the used vehicle market. Supply is limited because most diesel users keep their vehicles longer in order to attain the cost benefit that diesel provides over a long time period. Additionally, many smaller companies cannot afford the initial capital outlay for new diesel vehicles. The end result is a less saturated resale market and higher resale values.

ENVIRONMENTAL IMPACT

For years, diesel was considered a "dirty fuel" with higher emissions in terms of particulates and nitrogen oxide. However, in 2010 Canada introduced new vehicle emissions standards. New diesel engines now have a diesel exhaust fluid (DEF) tank. The fluid is added by the driver, enabling the diesel fuel to burn cleaner. With the new emissions standards diesel and gasoline engine have very similar emissions. Environmentally, there is no clear winner.

"There is no clear diesel vs gas answer. As with most purchases, it comes down to preference, application, and cost analysis. While there is no clear recommendation, hopefully you will feel better informed to make the correct decision when procuring your next vehicle."

Chris Browne

Account Executive at Jim Peplinski Leasing Inc.