

INTERVIEW WITH...

Phil Crofts - marketing director for Dillon Transport



He has been with Dillon for 7 years and is responsible for "Special Assignments", including alternative fuels. Crofts oversees Dillon's use of natural gas trucks, the transport of tracking commodities, and the transport of LNG trailers. Dillon operates about 400 tractors from 12 terminals, primarily in the East. Its customers include refineries, oil companies, and shingle manufacturers.

WHAT ARE THE MOTIVATIONS FOR INVESTING IN NATURAL GAS INFRASTRUCTURE AND VEHICLES?

Of the almost 400 tractors that we operate, 25 are LNG, and we'll be adding 50 more, probably CNG, in 1st quarter of 2013. Having NG trucks allows to attract new customers. There are some cost savings as well, though we prefer to present it as a green story where we can do the same job at the same price and be cleaner.

But the big question is the resale value of the truck. If we pay \$150,000 for the truck, and we run them

300,000 miles a year, are we going to be able to sell a two-year-old truck with 600,000 miles on it? What's it going to be worth? Nobody knows, because there isn't a retail market for them yet.

WHAT ARE YOUR MAIN CHALLENGES?

For our operation in Texas, we had to build our own fueling terminal. There was nothing in place at the time. We partnered with Clean Energy, and they built it on our property, so we can fuel our trucks. We buy our fuel from them. It took us at least 2 years from when we started talking about it to when we got it completed. There were zoning restrictions, and safety issues. They didn't want us to put natural gas tanks above ground. So we had to explain to them what LNG is and what NG is. There were considerable issues with the fire marshal that we had to overcome.

WHAT ADVICE WOULD YOU OFFER OTHER FLEET OPERATORS?

It takes time to get the trucks ordered and to get the logistics together. There is a better selection of natural gas engines now. When we started, there were only 2 and now there are 3 - soon to be 4 or 5.

That will make it easier for owners to get a good fit for their vehicles. It's not difficult once you get the fueling station where you want it to be, and get stations on the routes you are going to run.

HOW DO YOU SEE THINGS SHAPING UP IN THE NEXT 2-5 YEARS? WHAT NEEDS TO HAPPEN TO DEVELOP THE MARKET FURTHER?

With our day cabs, we would expect to see most of ongoing purchases in natural gas, not in diesel. With our sleepers, it's slightly different (we only have one tractor at the moment). It will depend on how the infrastructure shapes up, and the prices that are available.

There's no point building stations, in my opinion, if the gas isn't competitively priced, and you have the same difference with diesel that you have now.

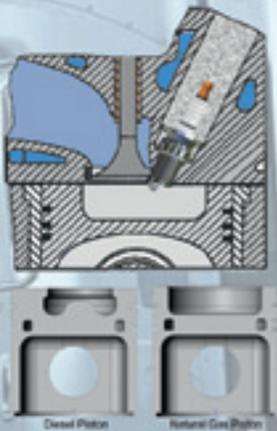
That's the way we're thinking at the moment, though things could change. For example, gas prices could go up, and diesel could go down. But the way we see it now, we see natural gas being relatively inexpensive and diesel being relatively expensive. We would expect natural gas to continue growing.

Source: FC Business Intelligence



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