

Cumbria Logistics Ltd
Shed 8, Unit 7 Sandysike Ind Est
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26th September 2018

Increasing Fuel Prices

Dear customer

As you will be well aware, the cost of fuel has again been increasing over the past few months.

The market price of fuel is obviously beyond our control and represents a significant variable and volatile cost to be managed, although a distasteful subject where distribution costs are concerned. For each 1 pence increase in the price of fuel, our operating costs are affected by 0.5%

Your account is important to us, and we have done our utmost to withhold fuel increases for some time, but unfortunately, we now need to address this in a transparent and fair commercial manner. After careful consideration, we have decided to introduce a **Fuel Escalator Index** and a copy is enclosed with this letter.

A Fuel Escalator is the most transparent method of dealing with fluctuating fuel prices, as the surcharge both increases and decreases in line with the actual fuel prices paid. We will be using the monthly **Fuel Price Report from the AA** as the basis of the surcharge scale, as this is available to view on the internet at <https://www.theaa.com/driving-advice/driving-costs/fuel-prices>. It also enables our customers to check whether a surcharge is applicable for the following months invoices.

You will note that the fuel escalator will be calculated using a base rate of £0.98 per litre excluding Vat (£1.23 incl), with the surcharge being implemented should the price rise above £0.99p per litre excluding vat (£1.24 incl). As a valued customer we have kept the surcharge to a minimum to hopefully retain your business, whilst addressing the commercial reality of fuel price fluctuation. It is our aim to ensure that as a significant supply chain partner you our customer, we ensure that we act in a business-like fashion to address variable cost increases which are driven by external economic factors.

We plan on implementing this from Monday 8th October 2018 we will be using August's 2018 average fuel price (£132.3 PPL) to set October price due to September 2018 information not being available as yet. I do hope that this will not affect our good trading relationship, but if we can help in any way or you have any questions or queries regarding this letter, please do not hesitate to contact me.

Yours Faithfully

James Charnley
Managing Director

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FUEL ESCALATOR SURCHARGE INDEX 2018 onwards

FUEL PRICE - PENCE PER LITRE (INCLUDING VAT)		SURCHARGE %
AT LEAST	BUT LESS THAN	
0.00	1.25	0.00%
1.25	1.26	0.50%
1.26	1.27	1.00%
1.27	1.28	1.50%
1.28	1.29	2.00%
1.29	1.30	2.50%
1.30	1.31	3.00%
1.31	1.32	3.50%
1.32	1.33	4.00%
1.33	1.34	4.50%
1.34	1.35	5.00%
1.35	1.36	5.50%
1.36	1.37	6.00%
1.37	1.38	6.50%
1.38	1.39	7.00%
1.39	1.40	7.50%
1.40	1.41	8.00%
1.41	1.42	8.50%

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1.42	1.43	9.00%
1.43	1.44	9.50%
1.44	1.45	10.00%
1.45	1.46	10.50%
1.46	1.47	11.00%
1.47	1.48	11.50%
1.48	1.49	12.00%
1.49	1.50	12.50%