

Finance Chiefs  
Aren't Sweating  
High Energy Costs

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The business world has been slow to react to towering energy prices.

A fourth-quarter survey by Duke University and CFO Magazine, which anonymously canvassed more than 308 chief financial officers from public and private companies, shows high energy prices ranked among executives' chief concerns for 2005. But only one-fifth of the respondents reported making any efforts to conserve fuel, and that fraction has shrunk from the third quarter.

The lack of conservation points to an important characteristic of the oil-market rally: Demand hasn't only proved resilient to high prices, it has continued to grow. U.S. energy officials expect that growth to keep prices high this year.

"I personally was shocked that so few companies had bothered to do anything in the face of fuel prices that are solidly above \$40 and extremely volatile," says \*Campbell\* \*Harvey\* , a professor of finance at Duke University, Durham, N.C. Mr. Harvey co-directed the survey with New York's CFO Magazine.

Although crude-oil futures in New York have fallen by about a fifth from their record highs of 2004, they remain more than 40% above their level a year ago. Gasoline futures are up more than 25%, and heating oil more than 30%.

Rising global demand -- driven by China, but also by the U.S. -- has been a top cause of the run-up. World oil-demand growth will slow by about a quarter this year from last year's scorching pace, the statistics arm of the U.S. Department of Energy said Wednesday. But it said that will be strong enough to outpace growth in non-Organization of Petroleum Exporting Countries supply and keep markets tight.

The quarterly Duke/CFO Magazine survey covers a cross section of North American companies. The latest survey, in December, listed high energy costs alongside worries about health-care costs, competition and rising interest rates.

About 20% of the chief financial officers polled in the survey said their companies had measures in place to reduce fuel consumption, down from 21% in the third-quarter survey, Mr. Harvey says. "Eighty percent of respondent have taken no steps to reduce their level of fuel consumption," he says. "There are many small things that are low-hanging fruit that can be done, but many companies are doing nothing."

Fuel-reliant companies such as airlines and manufacturers have responded more

aggressively to lofty energy prices than others, but even they have made surprisingly few changes. In the December survey, only 31% of transportation companies and 32% of manufacturers said they were conserving fuel, Mr. Harvey says.

Among other measures, transportation and manufacturing companies said they were replacing old vehicles with more fuel-efficient ones, downsizing some fleets and installing vehicle-tracking devices to reduce idle time.

J.T. Fisher, chief financial officer of Delta Connection Inc., a unit of Atlanta-based Delta Air Lines, says, "Maybe some companies aren't doing anything, because they believe they can offset high prices by passing them along to customers." For its part, Delta has worked to conserve fuel for the past two years, investing in technology to increase the efficiency of flight planning and providing pilots with tools to manage fuel consumption, he said.