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A Storm Is Brewing Off the Coast

That headline should make your heart skip a beat, especially after witnessing the aftermath of the "once-in-100-years events" that have occurred over the past few years: Katrina, Irene, the Japan tsunami and most recently Hurricane Sandy. The frequency of these storms is alarming and should prompt each one of us to pause and think. Are these cataclysms a byproduct of mankind, following years of damage to our ozone layer from an increasingly industrialized global society? Are global warming pundits saying, "I told you so"? Or are these disasters simply unexplainable "Mother Nature" events? Who really knows?

In addition to the horrific devastation these events leave behind for families and communities, there is another inescapable truth: These disasters have an elevated impact on fuel distribution businesses from terminals to retail stores, which leaves an acrid aftertaste for weeks and possibly months following the event.

What I will discuss in this article is a story that no one else is covering: the strain that a disaster such as Hurricane Sandy or some other event can have on a fuel distribution company in the new world, where there are no longer vital services provided by the oil majors.

During the storm, we heard our New York and New Jersey governors making overtures about a reflowing of product in New York Harbor and a resulting easing of our fuel supply disruption. It was a poignant sound bite, but gasoline and distillate supply was not the problem. The colonial pipeline was unaffected and the harbor closure, caused mostly by floating debris, was temporary. The real issue was that fuel terminals were damaged and flooded, and many were closed, wreaking havoc on distributors, who were left scrambling for out-of-state supply. At the time of this writing in late November, some terminals remain closed.

As a postmortem on the effects of a storm, it's obvious that there are many areas in which distributors need assistance. The absolute last place you want to find yourself is trying to do business while waiting for FEMA. Unfortunately, as distributors have acquired and grown, their infrastructure may not have similarly developed. As such, they could be vulnerable and exposed when disaster occurs.

How to Be Prepared

Here are some steps to follow that will put you in a better place to manage and communicate when disaster strikes, and thereby mitigate business losses:

1. Maintain regular contact with your insurers. Talk directly with brokers and issuers of your policies at least once or twice a year, and not just when filing claims. The most important consideration here is to make certain that your insurance coverage has kept pace with your acquisitions, beyond what is minimally required by your lenders. Look at general liability, property and casualty, flood, environmental and business loss coverage. Consult those professionals who cater to our industry. We have alliances with insurers and brokers if you need help; the matters are complex, and you do not want to be surprised by a contract exclusion clause buried on p. 62 when faced with a large claim. This is a no-brainer insurance "checkup" you should routinely perform.

2. Maintain regular contact and relationships with suppliers, terminal operators and transportation companies. During Sandy, when many of our local terminals were damaged and temporarily closed, some of our New York and New Jersey clients were sourcing supply and delivery from far upstate New York; New Haven, Conn.; and even Massachusetts. Having these key contacts in the industry, including those outside your specific market areas, is vitally important. Consider placing volume agreements with alternate suppliers and trucking companies over time so that you have a relationship that can be leveraged in a crisis.

3. Develop a records management plan. When disaster hits and power is down for a prolonged period, make sure that you have access to vital databases and records (store locations, tank sizes, fax numbers, delivery ingress and egress docu-

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mentation, terminal locations and phone numbers, maintenance providers, supplier emergency contacts, etc.). You want to have immediate access, and setting up a war room at your office from which to manage operations is a must. If your office is not accessible, have duplicate offsite data storage. Several companies have disaster-immune offsite servers that can store and service all your records and systems so that you can function and manage day-to-day operations. If you are large enough, having a duplicate, dedicated backup system may be prudent and cost-effective when considering the potential worst-case scenario margin loss from prolonged downtime.

4. Develop a crisis-management process and system. This is a critical step but often is not performed, even by companies of size. Hurricane Sandy should be a wake-up call for all of us, personally and professionally. Make arrangements with emergency responder service providers: environmental, pump repair and replacement, building and canopy repairs. Train all store personnel on what to do in case of preparedness and how to react when a crisis strikes, along with immediate access to management personnel by phone, email, fax, text, etc. One of the must-have features of any emergency response plan is having someone in control (at home, office or other command center), and having the ability to communicate with essential personnel who are managing the business during an emergency. Also, identify key store locations strategically for backup generators and additional personnel needs.

5. Have ready access to cash. When finances are needed to operate before the insurance company can react and issue payments, and you need to make immediate and costly repairs, you must have some cash on hand or have a bank line of credit (LOC) that you can access on an unrestricted basis. With operations shut down and the resultant loss of cash flow, this is critical from a financial management perspective. Whatever funds you use can be reimbursed under your policies (or FEMA) that, when disbursed by your carrier for covered losses, can be used to quickly pay down your LOC.

Considering these action steps can not only help you to better manage a crisis, but also prevent you from falling off your own personal fiscal cliff. ■