Presentation by Topic

1. A PARADIGM SHIFT IN PURCHASING PATTERNS
   DAVID IVEY, VICE PRESIDENT – WILSON AIR CENTER

2. FUEL PRICING TECHNOLOGY
   DALE T. KRUPLA, FUEL MANAGER – ARINC DIRECT/ROCKWELL COLLINS

3. WHAT MAKES A FUEL PRICE AND BEST PRACTICES
   JASON McLENDON, VICE PRESIDENT – COLT INTERNATIONAL
A Paradigm Shift in Purchasing Patterns

PRESENTED BY:

David J. Ivey, Vice President – Wilson Air Center

Charlotte – Memphis – Houston - Chattanooga
From the FBO Perspective
The Times They are a Changing

• Discussion Items
  – An overview of the industry.
    • Airport’s
    • FBO’s
  – Then and Now.
  – How we got to where we are today.
  – Paradigm shift in purchasing patterns directly affecting.
    • Flight departments.
    • FBO’s.
How Did We Get to Where We Are Today
An Overview of Fifty Years of Airports, FBO’s and Fuel

• Tremendous growth of general aviation began in the 1960’s.
• Civil Aeronautics Administration transformation to Federal Aviation Administration in 1958.
• Funding for airports accelerated under FAA.
  – Airport Development Aid Program (ADAP)
  – Planning Grant Program (PGP)
  – Airport and Airway Revenue Act
  – Airport Improvement Program (AIP)
• Design and technological improvements to general aviation aircraft.

Sources: FAA, GAMA, AOPA
The FBO…Then
The Business Model of the 1960′-70′s FBO

• The typical FBO model “then” was multi faceted.
  – Fuel, hangar, maintenance, avionics, parts, charter, flight instruction and aircraft sales.
  – Each department was a revenue stream.
• Airports were being developed rapidly via federal and state funding.
• Corporations began to look for any advantage.
  – Aviation and corporate aircraft were the new edge for business.
• As the number of corporate aircraft increased, so did fuel sales.
• FBO revenues and opportunity expanded with the growth of aviation.

Sources: NATA
Business Aviation…Now
Where the industry is today

- 15,000 Business Aircraft in the United States.
- 5,000 public use airports in the United States.
- 3,300 airports with paved runway of 3,000’.
- 3,138 FBO’s
  - FBO’s with more than $5m in sales.
  - 80% of all revenue via Jet A fuel sales.

Sources: NBAA    NATA
The FBO…Transformation of Ownership

FBO’s are now a Business Opportunity

• The privately owned “maw-paw” FBO was disappearing, in part due to:
  – Capital costs of growth requirements.
  – Most are family held business.
  – High profit exit strategy.

• Public companies & Equity Funds
  – Market growth equals opportunity.
    • Airports, business aircraft and fuel.
    • High margin.
    • Long term lease opportunity.
    • Barriers to entry into marketplace.

Sources: NATA
The FBO…Now

One Product Focus

- Maintenance and aircraft sales have become stand alone businesses.
- Jet A is still a growing market.
  - In 2010
    - 350m of Avgas
    - 1.6b of Jet A
- 2025 Forecast
  - 2.8b of Jet A
- 98% of Jet A is sold by FBO’s at public use airports.

Sources: NATA and FAA Forecast Data
The FBO…Now

Consolidation and Business Disciplines

- Public Company Ownership.
- Equity Funds Ownership.
- Private Business Ownership.
- 360 Model Now Limited.
  - Private
  - Public
  - Equity Fund

Sources: NATA
A Paradigm Shift in Purchasing Patterns

Fuel Purchasing…Then and Now

• Factors that have changed how aircraft purchase fuel.
  – Fuel efficiency.
  – Information availability.
  – Contract fuel providers.
  – Technology.

• Factors that have changed how FBO’s sell fuel.
  – Stand along revenue stream.
  – Contract fuel providers.
  – Technology.
  – Generational preferences of the pilot/scheduler.
A Paradigm Shift in Purchasing Patterns

Aircraft Flight Operations - 1965 to 1980

• Then
  – Non-fuel efficient aircraft.
  – Must purchase fuel.
  – Price was only a minimal factor.
  – Information was difficult to get.
  – Telephone was key communicator.

• There were no…
  – AC-U-KWIK or directories
    • AOPA Airports USA was the basic directory.
  – Internet.
  – Fuel brokers and software programs.
A Paradigm Shift in Purchasing Patterns
Aircraft Flight Operations - 1980 to 2000

• Then
  – Aircraft becoming more fuel efficient.
  – Do not need to purchase fuel at each destination.
  – Focus on pricing began to affect decisions.
  – Information was becoming more available
  – Telephone was still the key communication method.

• Information was becoming available.
  – Directories.
  – Internet web sites.
  – Fuel brokers became more prominent.
A Paradigm Shift in Purchasing Patterns

Aircraft Flight Operations - Present

• Now
  – Most aircraft are fuel efficient.
  – Most aircraft can tanker through destinations.
  – Focus on pricing began to affect decisions.
  – Smart phones and internet equals instant access to information.
  – Telephone is not the primary means of communication.

• Information is readily available.
  – Directories are now internet based with fuel pricing.
  – On line fuel ordering. Smart Phones. Instant access to data.
  – Fuel brokers more prominent during and after recession.
  – FOS, PFM, Airplane Manager, Fueler Linx offer “Travelocity” type pricing data.
A Paradigm Shift in Purchasing Patterns
FBO Fuel Sales - 1970 to 1980

• Then
  – Minimal price information distribution.
  – Marketing centered on airport and FBO use vs. competitor.

• First generation of aviators
  – Baby boomer generation
  – Telephone
  – Personal “one on one” communications.
  – Detail oriented with verbal confirmation.
A Paradigm Shift in Purchasing Patterns

FBO Fuel Sales - 1980 to 2000

• **Then**
  – Awareness of pricing and sales information.
  – Marketing centered on services and amenities.

• **First generation of aviators continue – Second generation enters the market.**
  – Baby boomer generation continues.
    • Telephone, personal “one on one” communications, detail oriented.
  – Generation X enters market.
    • Digital knowledge.
A Paradigm Shift in Purchasing Patterns

FBO Fuel Sales - Present

- Now
  - Constantly aware and interactive with pricing and distribution of pricing.
  - Marketing centered on services, amenities and pricing.

- First and second generation continue – Third generation enters the market.
  - Baby boomer generation continues.
    - Telephone, personal “one on one” communications, detail oriented.
  - Generation X continues.
    - Digital knowledge. Remember school without computers.
  - Generation Y enters.
    - Prefer digital literacy. Have never known a world without computers.
    - All information and most socialization from the internet.
A Paradigm Shift in Purchasing Patterns

How Much Contract Fuel Does an FBO Deliver?

• Competitive Environment
  – 70% - 80% of all transient fuel delivered.

• Typical FBO
  – 30% - 50% of all transient fuel delivered.

Sources: Transient corporate Jet A includes fractionals, CAA and contract. Freight and airlines not included.
FBO’s Today Must Adapt

Generational Differences of the Customer

• Baby boomer generation
  – Telephone still primary.
  – FBO must train and empower CSR’s to interact with customer requests and inquirers.

• Generation X
  – Digital knowledge.
  – Telephone, internet, fuel management software programs or contract fuel release.

• Generation Y
  – Majority utilize smart phones, fuel management software programs and contract fuel.
  – Minimal verbal interaction.
FBO’s Today Must Adapt
Minimal Verbal Communication is the New Normal

• How does the FBO highlight.
  – Services.
  – Awards and rankings.
  – Hours of service.
  – Amenities.
  – Differentiators.

What are the three most important factors you look for when choosing an FBO?
(Respondents were asked to choose three)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent customer service</td>
<td>88.5%</td>
</tr>
<tr>
<td>Fuel pricing</td>
<td>62.6%</td>
</tr>
<tr>
<td>Passenger amenities</td>
<td>39.9%</td>
</tr>
<tr>
<td>Cleanliness</td>
<td>30.7%</td>
</tr>
<tr>
<td>Pilot amenities</td>
<td>24.8%</td>
</tr>
<tr>
<td>Line service training program参与</td>
<td>18.3%</td>
</tr>
<tr>
<td>FBO infrastructure/decor</td>
<td>18.0%</td>
</tr>
<tr>
<td>Loyalty/rewards program</td>
<td>6.8%</td>
</tr>
<tr>
<td>Fuel brand</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Sources: Aviation International News – 2015 FBO Survey
# Websites Highlight Pricing and Not Service

How Do Decision Makers Decide?

- How does the FBO highlight service on the aviation software programs?
- How does the flight department review services and amenities.

Sources: Example of Fuel Software Listing for one major GA airport, with multiple FBO’s. Price and FBO redacted.
FBO’s Must Adapt to Technology

Software Enhancements to Customer Orders & Tracking

- Sophisticated new software available.
- Two way communication via internet with orders and confirmation.

Sources: FlightBridge.com
FBO’s Must Adapt to Technology
Travelocity Type Software Now Available to FBO

- Customer and FBO interaction via the internet.
- Arrival information, hotels and rental car via the internet.

Sources: FlightBridge.com
Value vs. Price

Fact: Low Price is not the Main Reason People Buy

• Buying Motivation Survey
  – Low price is never the primary motivation.
  – It is important if everything else is equal.
  – But, rarely is everything else equal.
  – Are you driving a Yugo or have you bought your clothes at a garage sale?

Sources: McKinsey & Co. Report
Value vs. Price

Other Resources for Flight Departments to Determine Value

• Publications & Internet
  – Pilot surveys.
    • Professional Pilot Magazine.
    • Aviation International News
    • Pilots Choice Awards
  – Internet feedback.
    • AirNav.
    • FltPlan.com.
    • Numerous others.
  – Directories
    • Listing specific services, amenities and hours.
Making the Final Decision
Use All Information that is Available

- Resources are instantaneous.
- Technology is readily available.
- Review your options.
Questions & Answers
Fuel Pricing Technology

January 22, 2016 | 9:00 a.m. – 11:30 a.m.

PRESENTED BY:
Dale Krupla, Rockwell Collins, ARINCDirect Fuel Manager
Today’s Subject’s
Fuel Pricing Technology

- Fuel Pricing Management and Ordering Programs
- Scheduling and Flight Planning Programs Fuel Features
- Tankering
- Flight Planning and Fuel
- Retail Fuel Pricing Sources
- Ramp Fees and Minimum Uplifts
- FBO and Fueler/ Fuel Broker Websites
Fuel Pricing Technology

Fuel Pricing Management and Ordering Programs

- Companies like FuelerLinx and JetFuelX
- Upload Broker and Supplier Pricing into one tool
  - Live Fuel Pricing Feeds and uploading CSV Files for pricing data
- May have service fee and minimum uplift databases.
- Fuel Usage and Savings Reports off Retail
- Invoice Reconciliation
- Tankering
- Fuel ordering from Program
- Tax information, Fuel availability, Uplift Fees, after hours charges
Fuel Pricing Technology

Scheduling Program Fuel Features

• Notes features for the crew good place to track FBO service fees, minimum uplifts and retail price comparisons, fed into trip sheets
  – “Brand X fuel release, $4.00/gallon retail $6.00/Gallon Min uplift 250 Gallons or $300 service fee, Fresh baked cookies, Good BBQ and Blues on Beale Street 1/19/16”

• Fuel ordering from program

• Fuel information fed to crew trip sheets

• Fuel Burns, Minimum Uplifts, Tax information

• Links to Vendor Websites like Charter Limo, Catering

• Upload Broker and Supplier Pricing into Fuel Modules
  • Live Fuel Pricing Feeds and uploading CSV Files for pricing data
Fuel Pricing Technology
Tankering

• Flight Planning Programs
• Fuel Management Programs
• Fuel Stop Calculator tools for 2 leg trips
• Service Fees and Minimum uplifts Critical
Scheduling and Flight Planning Programs Fuel Features

Fuel Page Examples
Fuel Pricing Technology

Flight Planning Programs and Fuel

- Fuel Burns and Route Optimization
- Fuel Stop Calculators / Maps
  - Rubber banding to avoid FIR’s and Find fuel stops
- Fuel Release PDF’s
- Tankering Calculators
- Fuel Purchasing from Provider
- FBO and Vendor Databases
- Leg Cost Calculators with Fuel price look ups
Fuel Pricing Technology

Retail Fuel Pricing Sources

- AirNav.com
- SkyVector
- Globalair.com
- FBO Websites
- Broker Websites
Fuel Pricing Technology

Ramp Fees and Minimum Uplifts

- FBO Websites
- Fuel Management Programs
- Contact FBO and keep Scheduling Programs updated
- May Change every few months
- Aircraft categories vary from FBO to FBO.
- Critical to enter accurate Tankering calculations
Fuel Pricing Technology

FBO and Fuel Broker Websites and Programs

- Service Fees and Fuel Prices
- Discount Programs based on annual uplifts, fleet size
- FBO Trip Reservations
- Retail pricing may be available
- Order Fuel for multiple locations
- Airport Information
- Tax information, Fuel availability, Uplift Fees, after hours charges
Fuel Pricing Technology

Closing Words of Wisdom

- Buy the extra gallon!!!!!!!!!!!!!
What Makes a Fuel Price and Best Practices

Friday January 22nd | 0830-1130

PRESENTED BY:
Jason McLendon
What Makes a Fuel Price

Platts

- A provider of energy information and a source of benchmark price assessments in the physical energy markets. “Reliable market-based price information”.
- Seven regions in the United States
- Base line for initial cost of jet fuel
- Refinery → FBO Brand → FBO

Sources: Platts.com
What Makes a Fuel Price
Jet-A and Into-Plane

- Jet-A equals cost-plus or Platts-plus
- Into plane
  - Primarily N. America
  - Tiered scale
  - Location matters
  - Less frequent changes
What Makes a Fuel Price

Taxes and Fees

• Fees
  – Airport
  – Flowage
  – Hook-Up—primarily outside N. America

• Taxes
  – FET
  – State
  – MOT and VAT

• Domestic and international exemptions available
What Makes a Fuel Price

Tax Exemptions

• United States
  – Ultimate purchasers certificate
  – State sales tax
  – Get a Y number

• Canada
  – FET
  – GST/HST

• International
  – VAT
  – Excise duty/MOT
Best Practices
Pick Reliable Providers

• Develop relationships with multiple providers
• Choose providers that:
  – Have full-service capabilities
    • Tax exemptions
    • Proven point(s) of contact and 24 hour support
    • Regional or global acceptance
    • Rewards Programs
  – Offer customized solutions
    • Savings reports
  – Have rich databases
Best Practices
Get Accurate Quotes

• Ensure you know:
  – Expiration dates
  – Volume breaks
  – All relevant taxes
  – Into-plane and/or supplier contact information
  – Multiple prices
Best Practices
Fuel Tickets

• Carefully review before signing
  – Sign in correct location
  – Make sure all information on the fuel ticket is correct
    • Private/Charter
    • Write “AOC & aircraft Spec Sheet Shown” for charter operations
    • Liters/Gallons
    • Tail number and/or company name
  – Keep a copy of the fuel ticket
Best Practices
Audit Invoices

• Quality control a certain percentage
• Compare quotes to invoices
  – Have a defined process
• Review line item detail
• Open dialogue with your provider
Best Practices

Overall

• Have multiple payment mechanisms
• Have a defined process
• Work with your provider(s)
  – They should be a resource
• Ask, Ask, Ask