Fuel Cards and Suppliers

Technology Keeps Fuel Costs in Check

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“The competition is fierce as technology has exposed pricing and has limited the margins brokers are able to place on per-gallon rates,” noted Jay Husary, executive vice president of UAS International Trip Support. Many scheduling programs offer fuel modules or can be integrated with fuel price aggregators such as Fuelerlinx and Jet Fuel X, which in many cases work directly with fuel providers so operators can receive “live push” pricing directly to their computers. Some programs allow operators to order fuel directly at quoted prices. Such programs can also archive invoices and reconcile billing, making sure the quoted invoice matches what is being charged.

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From the early days of business aviation through the early 1980s, for operators the price of fuel “was a minimal factor because jet fuel was cheap,” noted Wilson Air Centers vice president Dave Ivey, adding that the inefficiencies of private jets of the era necessitated fuel uplift when operators landed and current comparison pricing information at multiple locations was difficult to acquire in that pre-Internet age. Most FBOs derived revenue from flight instruction, maintenance, aircraft rentals and sales and thus were not so dependent upon fuel sales margins.

As veteran pilots and dispatchers recall with a sense of nostalgia, service providers in some high-traffic fuel-stop areas would offer perks to entice pilots to purchase a certain amount of fuel. “When you would buy fuel you would get sometimes a gift card for every 300 gallons or every 100 gallons,” noted Michael Avery, COO of fuel pricing aggregator Fuelerlinx. “There were FBOs that would give you steaks for every 500 gallons [of jet fuel] that you bought.”

Customer fuel buying habits were shaped largely by such lures, and convenience played a large role as well. “Operators stuck with just a handful of fuel companies,” Avery told AIN. “Often they would purchase fuel through just one or two different programs

Operators look to fuel as a cost they can control
by Curt Epstein

Fuel is the lifeblood of the business aviation industry, and according to forecasts from the FAA, GA jet fuel sales in the U.S., which totaled 1.6 billion gallons in 2010, will reach 2.8 billion gallons by 2025.

Among the many costs incurred by flight departments, fuel is the largest variable cost they are most likely to have some measure of control over these days, a factor that has grown in importance over the past decade or so in an age of tightening budgets. According to many in the fueling industry, a paradigm shift has occurred in the way customers buy fuel, driven by two major factors: price consciousness and the ease of gathering the explosion of price information.

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because they liked the rewards programs or they liked the convenience on the accounting end because it was simple to receive invoices from just a couple of suppliers.”

As time went by, fuel prices climbed, aircraft became ever more efficient, and as the information revolution grew, fuel brokers began to distribute fuel-pricing lists to customers through such now-primitive methods as dial-up modems.

In the mid-2000s several factors converged to change the face of the industry rapidly. One was the surging price of petroleum, which plateaued at more than $140 a barrel during the summer of 2008, leading to a corresponding spike in jet fuel prices. The next well-documented factor was the great recession, which ravaged much of the world’s economy and created in the business aviation sector slowdowns from which it is only just recovering.

“When fuel prices increased and businesses were making less money, it created a lot of attention on how to reduce fuel cost,” said Avery. “Steaks and gift cards and other rewards programs have often been replaced because the shopper mindset of the industry has changed. For someone to sell fuel cheaper, they obviously are either going to have to reduce profit or they are going to have to cut rewards programs, and that’s what we’ve seen.”

“Most of this started happening during the recession,” noted Ivey in a panel on fuel consolidation at this year’s NBAA Schedulers and Dispatchers Conference. “Flight departments had to do everything they could to keep money in check, so using fuel contractors [and] other programs became more prevalent.”

Operators who paid the posted pump price rapidly became the exception rather than the rule, as the number of companies that provided contract fuel services began to rise to serve the industry, helping flight departments stabilize costs. Paying posted price has become a “Plan B” in most cases. “The general rule in the industry is multi-aircraft companies get contract fuel and solo operators pay posted,” noted Joseph Czyzyk, chairman and CEO of Mercury Air Group.

Other factors such as geography will play into whether fuel price discounts are offered. “There are locations across the country where paying posted retail price is expected,” explained Jonathan Boyle, Avfuel’s vice president of contract fuel. “For example, an FBO in a ‘destination’ location [typically an airport near a high-end resort] can charge posted retail with no room for negotiation. He added that facilities in a ‘remote corner of the world with low traffic,’ can also expect operators to pay full price.

The last factor that dramatically changed the face of aviation fuel buying was the speed at which data could be delivered, making it easier for customers to compare pricing from FBOs and contract fuel providers.

The Roots of Contract Fuel

The concept of contract fuel is marking its 40th anniversary this year. In 1976 Phillips 66 established its “Partners-Into-Plane Program” to support its branded FBO network by offering contract fuel pricing to the major airlines when a weather diversion resulted in an unplanned fuel purchase. Airlines were attracted to the Phillips 66 FBOs, where their fuel requirement was preapproved regardless of the day or hour. That program soon evolved to serve cargo, air ambulance, aerial firefighting and other speciality operators and was recently extended to Part 91 and Part 135.

In 1981 UVAir, Universal Weather and Aviation’s aircraft fueling division, became the first fuel provider to offer a contract fuel program for business aviation, signing agreements with Air BP and Texaco to provide contract fuel to its clients, according to George Giurgis, senior director of sales with UVAir.

The most common form of fueling program involves contracts, which are set up between FBO facilities and suppliers around the world, stating that the contract resellers are brokering that fuel to the operator. “Working with a contract fuel provider will offer better pricing and a higher level of customer service,” Giurgis told AIN. “Contract fuel
Fuel Cards and Suppliers

When fuel prices climbed and businesses were making less money, the focus shifted to cutting fuel costs.

providers arrange fuel credit worldwide, either with aviation fuel cards, often accepted on sight, or fuel releases when required. They might also offer significant volume discounts for larger aircraft operators."

Contract fueling can save operators money by combining their buying power. "By going through a fuel broker, customers are able to leverage the bulk-buying discounts available to them," explained Jay Husary, executive vice president with UAS International Trip Support. "Fuel brokers are able to pool multiple customers' purchases at a location into buying power. A huge benefit is the ability to invoice clients based on credit standing, alleviating the need to pay by credit card or carrying cash to locations where safety might be of concern."

For operators, the strategy of dealing with just one or two fuel providers has fallen by the wayside. "We noticed simplicity is still a concern and ease of use is still a demand, but saving money has now overridden much of that convenience and people are more concerned about saving $100 than they are about simplifying things on the back end," said Avery at Fuelerinx. "It is common for them to use eight, nine or even ten different fuel programs because they want to be sure that for each and every uplift they have paid the least amount possible for that fuel."

FBOs Embrace Contract Fueling

For the FBOs, there are tangible benefits to partnering with a contract fuel provider. "Contract fuel service providers offer market exposure and pricing to hundreds if not thousands of operators every week," Avfuel's Boyle told AIN. "Additionally, most contract fuel providers transact fuel for an FBO at zero-percent processing, which saves them considerable money compared to some credit card companies that charge as much as 3.5 to 4 percent."

"[Contract fuel service providers] are a big part of the industry today," said FBO industry veteran and consultant John Enticknap, whose Aviation Business Strategy Group offers a course on contract fueling to FBO operators. "They are not going away so FBOs have to learn to work with them."

With multiple programs accepted at various locations, customers still need to read the fine print to ensure they are getting the best deal. "There are benefits to using contract fuel, but it can be a double-edged sword too," explained Connie Pierpoint, Epic Aviation's managing director for client services. "While at times contract fuel may seem to be lower than posted fuel prices, it isn't always the cheapest final price as various suppliers add a variable margin on the back end." She suggests dealing with providers who offer complete transparency on their margins to customers.

Operators should also be sure to compare prices with the FBOs as well. "Just because a contract fuel provider has fuel at a location doesn't mean it's going to be cheaper," noted Dale Krupla, fuel manager at ArincDirect, Rockwell Collins's flight planning division. He also cautioned operators to be aware of volume breaks, pricing discounts given by the FBO or fuel provider at a certain amount of fuel purchased, and he encouraged customers to "always buy the extra gallon." Instead of asking for 300 gallons, buy 301 in case there are any discounts above that amount.

"It can save a ton of money," agreed Jason McClendon, sales director for business aviation with World Fuel/Colt. "It's not going to happen every time, but if you can save yourself 50 cents a gallon on one out of every 10 fuelings, that really starts to add up over the course of the year." With all that effort spent on securing the best fuel prices, McClendon is a strong advocate for operators auditing their invoices to make sure they are paying the prices they are supposed to be paying. "If you go through all that work up front and you have a defined process there, make sure it goes..."
through the entire arc of that flight from the start all the way to the finish with the invoice.” He also advised customers to take advantage of the data a fuel provider has. “One of the things I sell more than anything else is information,” said McClendon. “As you are developing relationships with your providers, let them know what customized reports you might need.” Such reports can show the amount of fuel a customer has purchased through a specific program, and the savings realized.

“Another recent trend is operators evaluating their purchase volume with resellers and FBOs and using that information to negotiate better rates. I don’t think this was common before,” said Avery. “I believe there is more negotiation on the overall discount of the program and there is less negotiation on individual trips.” Whereas in the past a pilot might try to get a better fueling rate at the FBO’s CSR desk, “I believe most of those negotiations have moved to the back office so they can support it with data extrapolated over a series of months or years to be able to provide proof of why a discount is merited,” Avery noted.

Tankering

Given the rise of more efficient aircraft, not every FBO visit will result in a fuel purchase these days. A relatively young long-range or even midsize jet can carry enough fuel to make multi-leg trips and if the price of fuel is high on the first stop, operators might wait until the second or even third leg to fill the aircraft. “I’d like to think everyone in business aviation tankers fuel,” Avery told AIN. “Almost without exception, if you operate an aircraft that holds more than a few hundred gallons, the pilot has probably tankered the aircraft before; however, it’s a science that few understand.”

That science involves a thorough understanding of the aircraft’s performance as well as other variables such as ramp fees, which have evolved as a mechanism for FBOs to ensure income of generating income; that’s why you are seeing ramp fees, security fees and facility fees. Things are changing.”

It might be simple to think that operators should load extra fuel whenever they can to take advantage of favorable contract fuel rates or more affordable airport stops, but that isn’t always the case, Avery explained. “It’s not even the fact that people are not tankering when they should; what I’ve run into often is operators choosing to tank on extra fuel when it’s actually costing them more money to do that because they don’t inherently understand the performance of their aircraft and what financial impact that extra fuel is going to have on the trip as a whole.”

At some locations the FBO waives ramp fees with a certain minimum purchase, and it would behoove a dispatcher or scheduler to allow pilots the freedom to make such decisions.

In light of the inroads contract fuel is making, large FBO chains such as Signature Flight Support and Atlantic Aviation have established their own versions of the programs. “Because of their market breadth they have direct contracts with the vast majority of corporate operators and they set up a structure where they get good pricing on fuel and services,” Enticknap told AIN. “We prefer to work directly with the customer,” said Sue Sommers, vice president for sales and marketing with Atlantic Aviation, which accepts most contract fuel programs and offers its own customized pricing for loyal customers, while also taking into account the volume of fuel purchased.

“That’s one of the reasons you see large corporate operators going from Signature to Signature, because if they build that volume, they get a better price. They have really zeroed in on this over the last five years or so,” said Enticknap. He advises even the smallest service provider to establish a similar program with its steady customers. “One of the big chains uses a rolling 365 volume,” said Krupla. “It knows exactly what you’ve uplifted in the past 365 days and that’s what you燃料 discounts and your exemptions from ramp service fees are based on.” Krupla envisions a further evolution of this policy: “I can see the big chains offering their in-house programs in the future only to customers, cutting out the brokers entirely,” he told AIN.

Another trend that has accelerated lately is companies with large flight departments installing a fuel farm at their home airport. “When you operate a larger aircraft that is frequenting major metropolitan cities with high fuel costs, a fuel farm can have a drastic impact on operating costs,” noted Avery. “Typically the differential in price between your home fuel and where you’re going can save thousands of dollars on an individual trip. A lot of people will run a cost comparison on their operation to determine how long it will take them to make their money back on that fuel farm, and many operators have found they can pay it back within a year or two, depending on their flying, number of aircraft and typical business travel patterns.”

For operators, saving money overrides convenience.

What Goes Into the Cost of a Gallon of Jet Fuel

By the time a gallon of jet-A is pumped into an aircraft its price has grown with every “touch” by many hands. Price is initially established by benchmarking from an energy information provider such as Platts, which uses the average cost of petroleum during the previous week to determine the baseline price. As the per-barrel cost of oil rises, so, of course, does the per-gallon price of jet fuel.

In the U.S. there are seven distinct fuel distribution regions: the Seattle Pipeline, San Francisco Pipeline, Los Angeles Pipeline, Chicago Pipeline, Gulfcoast Pipeline, New York Barge Pipeline and the Group Three Pipeline (serving the Rocky Mountains/Great Plains Region). Oil prices in each can vary with supply, demand and other factors. That is the initial cost of the fuel, to which the FBO adds its into-plane rate to cover its profit margin and the costs of storage, transport, quality control, vehicles to transport it from the fuel farm to the ramp, insurance and line service staff to pump it.

On top of that are any costs imposed by the airport authority such as fuel flowage fees, as well as any federal excise taxes and state or local taxes, all of which should be spelled out line-by-line on the fuel invoice.

Outside the U.S., operators may encounter other costs such as hook-up fees and MOT (mineral oil tax) and VAT (value-added tax). According to George Giurgis, UVAir’s senior sales director, some contract fuel programs will assist operators in exempting or reclaiming VAT and excise duties on fuel.
Fuel Providers

Companies that provide fuel range from refiners to resellers, large and small, to FBOs. Most offer discounted fuel pricing in some form or another and the following are some of the major players in the arena.

**Phillips 66**, one of the oldest aviation fuel providers, participates in the Avcard contract fuel program. It offers the Wings Card and double WingPoints on purchases made when used in conjunction with the Phillips 66 Aviation WingPoints Rewards Card at 200 locations in the U.S.

Michigan-based *Avfuel* has had a contract fuel program for 20 years, and it is available at 3,000 fueling locations worldwide. The Avfuel Pro Card is accepted at every location and as well as at the 600 Avfuel-branded FBOs. According to Jonathan Boyle, the company’s vice president of contract fuel, it offers cost-plus rates on jet fuel to 4,000 flight departments operating 15,000 aircraft, and can be used for ancillary purchases with or without a fuel purchase. The company will provide customized pricing to customers through whatever common means they wish—CSV file transfer, email or through its website. It can also export pricing through fuel aggregator software programs. Customers can participate in the Avtrip loyalty program, earning points that translate into rewards on most contract fuel transactions.

*UVAir*, based in Saline, Mich., has provided contract fueling for the past 16 years, with what it says is competitive pricing at 400 domestic and 200 non-U.S. locations. “We provide only fuel, which makes our costs and the client’s costs lower,” said company president Craig Faiman. Throughout the Great Lakes region, Arrow Energy supports the Phillips 66 program, including the AvCard/Phillips 66 co-branded card, and the WingPoints loyalty reward program.

**World Fuel/Colt’s contract fuel network** consists of 3,000 FBOs and fueling agents worldwide. “Our program is available at almost every major FBO at any given airport serving corporate and commercial aircraft,” said Michael Ward, the company’s sales director for business aviation, adding that the company supplied 6.3 billion gallons of fuel to its customers last year. The World Fuel/Colt Card is accepted for contract fuel upon presentation at the majority of its North American locations, and users can sign up for the FlyBays reward program and earn points through fuel purchases, trip planning services or use of the Avcard charge card. Founded in 1984, the company is headquartered in Miami, Fla., and has dispatch offices in Houston, Costa Rica, Singapore and London to offer 24/7 regional support.

**Eastern Aviation Fuels**, is the exclusive U.S. distributor for Shell Aviation Fuels. The Shell Contract Fuel Card has been in service for a decade and can be used at 300 Shell-branded FBOs in the U.S. not only for fuel purchases but also for any ancillary FBO purchases, from catering to lay services. The company provides individualized pricing and works with its FBOs to determine which customers qualify for discounts, determined in most cases by the amount of fuel purchased. The Shell AeroClass rewards program, valid in the U.S. and Brazil, was introduced seven years ago. With fuel purchases customers can earn points that can be redeemed for gift cards. Outside the U.S. Shell provides fuel at 400 airports in an additional 40 countries.

**Mercfuel**, the fueling division of Mercury Air Group, has a network of 1,000 third-party fuel-supply locations in the U.S. and 2,000 international locations providing discount pricing. The company is the largest fuel supplier to the fractional aircraft ownership market, according to Joseph Czyzky, the company’s chairman and CEO. Annually the company sells 400 million gallons of jet fuel and recently launched a preferred network rebate for select customers.

**Epic AVIATION**, which severed its alliance with Air BP several years ago, has developed its own worldwide fueling network, offering discounted pricing at 300 branded-FBO locations in the U.S. and Canada and accepted at thousands of locations worldwide. Through a new agreement with Universal Weather & Aviation, the Co-brand Epic card can be used throughout the Epic and UVAir networks and at any FBO that accepts the Multi Service Aviation Card, according to Connie Pierpoint, Epic’s managing director for client services. Epic’s Bravo Rewards program was launched in 2009 and offers participants myriad options for spending their rewards points, such as statement credits, gift cards or merchandise. Points can be awarded to one program member, or split among crewmembers and the flight department.

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UAS INTERNATIONAL  
TRIP SUPPORT

currently provides fuel pricing at 2,500 locations worldwide, and provides 30 million gallons of fuel annually. In operation for 16 years, the Dubai-based company opened its headquarters for the Americas in Houston, Texas, and launched its African headquarters in Johannesburg and Asia-Pacific headquarters in Hong Kong. A partner with Epic Aviation in North America, UAS offers incentives based on customer loyalty as well as total trip planning segments, with pricing determined by frequency of customer use and expected uplift amount.

One of the fastest growing fuel resellers is EVO FUELS, the U.S. subsidiary of Hong Kong-based EVO Jet Services. While the company has conducted fueling outside the U.S. for two decades, it entered the U.S. and Canadian contract fueling markets within the past two years, according to managing director Chris Cartwright. It now provides contract fuel at 500 North American locations and 1,500 airports elsewhere. The company has invested heavily in IT to ensure its pricing is available via all the major scheduling software and fuel price aggregator programs. As a smaller fuel company, EVO does not have huge headquarters costs or high overheads, so it can charge small margins and further save clients money, Cartwright told AIN.

Several years ago, Rockwell Collins acquired Air Routing and then, in its 2013 purchase of Arinc, merged its Ascend trip support division to create ARINCDIRECT, whose contract fuel program is available at 1,400 locations worldwide. “ArincDirect offers to its customers an online solution to prearrange fuel when planning their trips, along with other trip needs like flight plans, weather, runway analysis and weight and balance,” said Dale Krupla, fuel manager at the company’s Annapolis office. He noted that the company can customize pricing, factoring in volumes at certain locations, fleet size and customer loyalty.

Dubai-based JETEX FLIGHT SUPPORT has developed a global fueling network serving 3,000 locations worldwide in the decade since it was founded. It has established partnerships with 500 certified fuel suppliers worldwide, according to Ivette Pla, director of Jetex U.S. “Our network of locations ranges from the busiest to the most remote airports across the globe. Be it the Falkland Islands or Le Bourget, we strive to meet all our clients’ fuel requirements,” she told AIN. “In our experience, the best incentive we can offer a customer is a great price.”

Last year Jetex sold 55 million gallons of fuel through its customer-specialized pricing program. The company also operates its own string of international FBOs and has four 24/7 operation centers to provide clients with up-to-date information.

Founded in 1988, AEG FUELS started off as a fuel provider to airlines, but over the past several years, the Miami, Fla.-based company has expanded its contract fuel operations into the business aviation sector. Its AEG Carnet Fuel Card is now accepted at 2,700 locations worldwide, supported through a global network of nine offices, with services that include around-the-clock coverage, guidance on the processing of tax exemptions and refund opportunities and pricing based on AEG’s aggregate volume, which is expected to exceed 300 million gallons this year.

According to director of marketing Claudia Arnold, the company’s volume growth between 2014 and 2015 was 62 percent while transactions were up 52 percent. “We have worked hard over the past five years to create a global presence and extend our program to business aviation operators, and so far we are pleased with our growth,” she told AIN.