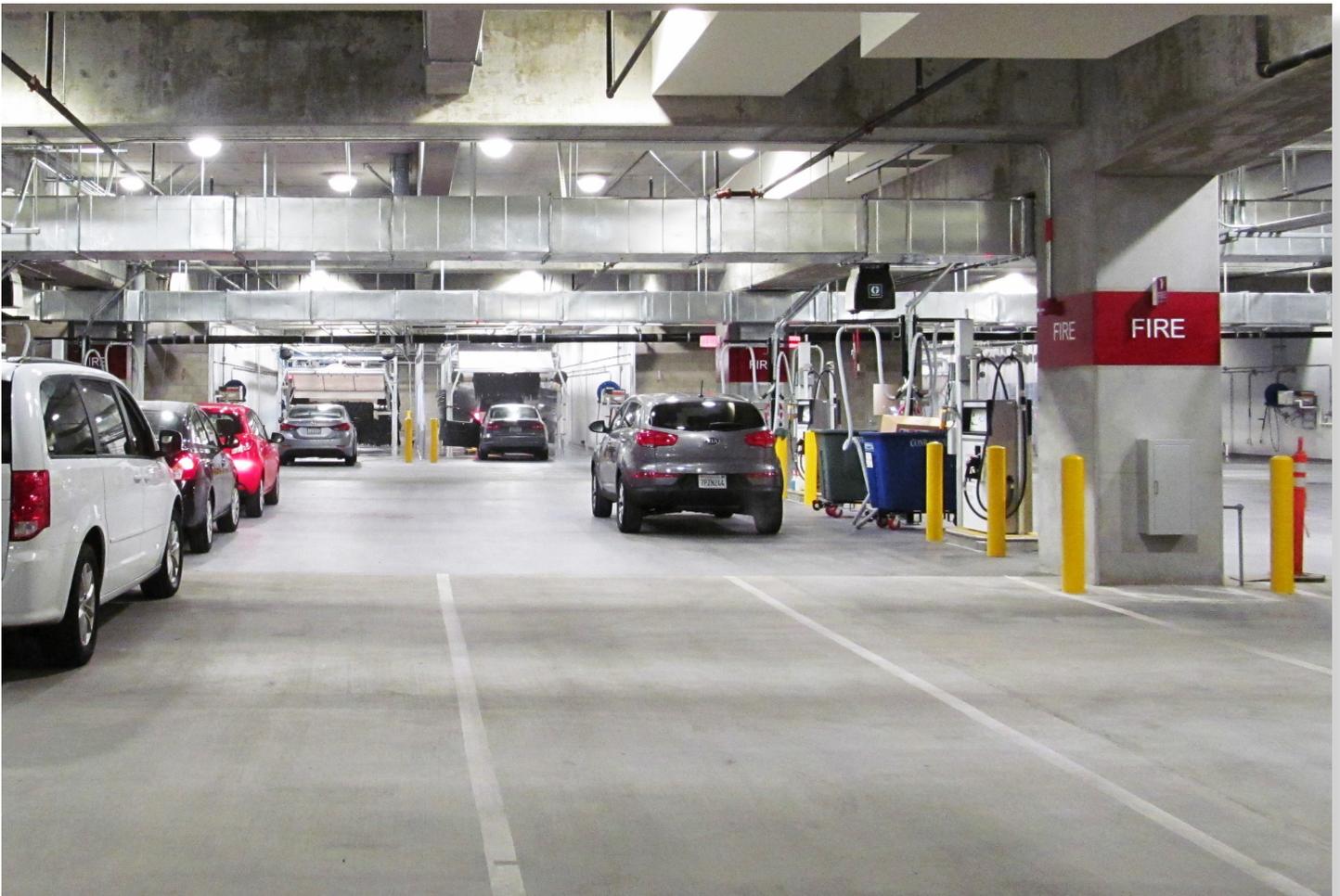


# CASE STUDY

## New Fuel Supply Method Saves Rent-A-Car Industry Money



## Challenges at Shared-Tank, Multi-User Sites

The rent-a-car industry has worked with shared fueling systems for fewer than 15-years. Anchorage, Miami, San Jose and Seattle are among the first sites to implement the configuration. While the industry still has some apprehension about the process, significant benefits can be found through fueling consolidation.

Fueling system designers who build software and infrastructure have historically treated ConRACs either as a fleet operation with one user, such as a police department or independent long-haul trucking company, or as a gas station with an unlimited number of users who pay street prices. As a result, ConRAC operators and the rent-a-car industry have had to compromise good business decisions while they meet the demands of daily operations.

In Seattle, two of the three proposed fueling managers had pre-selected a fueling supplier, envisioning a fleet-like operation for the site. The industry was prepared to accept this since it is similar to arrangements at other ConRAC facilities, despite knowing that those sites—such as San Jose and Miami— had reported fueling operation challenges.

*“Their (Conrac Solutions) efforts in fuel price negotiations have generated significant savings that are expected to be in excess of \$200,000 per year for the industry as whole.”*

**- Alfonso Ruiz, FOX Rent A Car**



**24/7 OPERATIONS:** With constant use and high volume, a process that can capture all data without operational interruption is vital.

Instead of accepting the standard, CS Operators drew upon past experience and developed a new method that would meet the needs of the industry, lower the total cost of fuel, and increase the overall level of service.

## Innovative Fuel Management Method

After evaluating the unique needs of shared tank fueling sites with multiple users, CS Operators designed a new and comprehensive fuel management method, which has saved the industry two to three percent of the overall cost of fuel operations at the Seattle-Tacoma International Airport (SEA) facility and other CS Operators managed sites. The CS Operators fueling management method allows for multiple benefits:

1. Supplier owns the fuel in the tank
2. Payment terms are net ten days (N10) from the invoice date
3. No upfront deposit or tank fill is required
4. Upgraded Fueling Management System



**USER FRIENDLY:** A process that makes it simple for the end user reduces mistakes and increases efficiency

### *Supplier Owns the Fuel in the Tank*

In a typical fuel inventory model, the owner/operator owns the fuel in the tank and is responsible for carrying the cost associated with that inventory. A critical part of the new method is that the fuel supplier continues to own the value of the fuel in the tank until it is dispensed. By establishing a process that eliminates the need to pay for the initial fill, RACs save significant working capital. In calculating the opportunity cost of this item, the average ullage is multiplied by the average cost of fuel and then given a three percent rate of return. In the case of the SEA ConRAC, the estimated savings of the supplier retaining ownership of the fuel until it is dispensed is \$8,541 per year.

### *N10 Terms from Invoice of Dispensed Fuel*

The carrying cost associated with every transaction needs to be as low as possible. Negotiating a deal that includes N10 payment terms from the date of invoice (based on the quantity of fuel dispensed that week) is a stark contrast to terms associated with a typical fuel delivery. In most cases, fuel is delivered pre-paid, cash-on-delivery, or N10 from the time of delivery. Our N10 from date of weekly invoice means the receivables fluctuates between 10 and 17 days out, ending on the week the transaction took place. Taking the mean term from the transaction times of 13.5 days, we can compare the cash holding benefit of that extra 3.5 days. Using the cost associated with the additional 3.5 days, we estimate a savings of \$2,625 per year.

### *Zero Deposit*

A fuel provider requiring a security deposit is standard practice; however, CS Operators was able to negotiate deal terms through meeting the fueling providers' credit requirements. By avoiding an estimated \$1.5 million deposit for the SEA facility, the RACs now had an opportunity to utilize that capital. At three percent interest, that deposit yields a savings of \$22,812 per year for the industry.

## Cost Savings for Fueling Management Systems at SEA Facility

Key Method Components	Benefit	Annual Savings	30-Year Savings
Supplier Owns Fuel	Less carrying cost and less risk	\$ 8,541.00	\$ 256,230.00
N10 Terms	10-17 days out vs. prepay or COD	\$ 2,625.00	\$ 78,750.00
Zero Deposit	Security deposit opportunity cost	\$ 22,812.50	\$ 684,375.00
Fueling Mgmt System Upgrade	Better service/less labor to manage	\$ 234,952.00	\$ 7,048,560.00
Combined Method Benefits	High volume, lower per gallon rate	\$ 85,500.00	\$ 2,565,000.00
<b>TOTAL</b>		\$ 354,430.50	\$ 10,632,915.00

### *Fueling Management System Upgrade*

The specified fueling management system was outdated and unable to meet the current needs of the site without an excessive amount of manual oversight. It would take at least four additional full-time staff to manage the installed system and necessitate compromises on the quality of reports, accuracy of information and the ability to customize data points. CS Operators conducted an extensive search for appropriate technology and was able to install a superior fuel management system.

### **Combined Method Benefits**

These aspects work in conjunction to yield multiple areas of savings in addition to lowering the total cost per gallon. CS Operators designed and implemented an inventory tracking model that meets the needs of the rent-a-car industry while reducing risk and increasing operational efficiencies. The net result of the inventory tracking model, vendor selection

process, and new buying power resulted in an estimated savings of \$0.0342 per gallon when compared to what RACs paid previously.

### *Background*

*The Consolidated Rent-A-Car Facility in SeaTac, Washington is a Port of Seattle facility, housing operations of 13 Rent-A-Car brands. Open to the public for full operations May 17, 2012, the facility measures 2.1 million square feet, and includes four Quick Turn-Around areas outfitted with 96 prep and fueling stations, 15 car wash bays, and six maintenance bays. It is a working environment for over 600 employees. Each of the six underground gasoline fuel storage tanks have a capacity of 20,000 gallons, with RACs utilizing an allocated number of the 96 nozzles that dispense fuel from the shared tank system.*

#### **About Conrac Solutions**

Headquartered in Renton, WA, the Conrac Solutions family of companies is the only entity in the United States to have privately developed, on-airport, consolidated rent-a-car facilities (ConRACs). As developer, financial sponsor and operator of ConRACs, the company has experience in pre-development and feasibility, financing strategies, design and construction, activation, operations, asset management and capital project management. Completed projects include Ted Stevens Anchorage International Airport, Austin-Bergstrom International Airport, and Bismarck Airport. ConRACs currently under contract for planning and delivery include Bradley International Airport (Hartford, CT), Newark Liberty International Airport and Reno Tahoe International Airport. For more information go to: <https://www.conracsolutions.com>.

#### **Disclaimer**

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