

**Xavier Le Mintier will guide the more centralized management structure that sells 8 billion gallons of jet fuel annually.**

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*Interview...*

## **New Shell Aviation Head Wants Industry Leadership**

**F**or the third time in three years **Shell Aviation** is under new leadership. In March, **Xavier Le Mintier** was named the new CEO replacing **David Weston** who was appointed Senior VP Oil products for **Shell Canada**.

Even with the changeover at the top Shell has managed to transform its organization from a loose confederation of independent operating companies into a smaller more centralized structure.

The restructuring began five years ago when then CEO, **Charles Harrison**, reorganized 85

independent companies into a global organization. Upon his nomination Weston assumed the challenge and centralized operations through the creation of 12 clusters. Before leaving Weston launched a strategic review which realigned Shell Aviation into five regions. Xavier Le Mintier will guide the more centralized management structure that sells 8 billion gallons of jet fuel annually.

Le Mintier began his career with **Royal Dutch Shell** in the chemicals business in the south of

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## **FAA to Withdraw from Involvement in Airport Fueling Facilities**

*By: Carol Ward*

**A** move by the U.S. **Federal Aviation Administration** (FAA) to hand off responsibility for issuing guidelines on the construction and operation of fueling facilities at airports is getting mixed reviews in the industry. The FAA, in the form of a draft advisory circular (AC), has proposed that it no longer issue the guidelines contained in AC 150/5230 (dealing with aircraft fuel storage, handling and dispensing on airports) and instead use the guidelines put forth by the **National Fire Protection Association** (NFPA).

**Ben Castellano**, manager of the airport safety and operations division at FAA, says the move is largely an attempt to eliminate unnecessary work. "Due to resources it is virtually impossible to keep all of these AC's as up to date as we would like," says Castellano. The AC was last published in 1982 and is in need of an update. Instead, FAA is suggesting that airports, airlines and fuel facilities operators use NFPA guidelines, supported by training programs and manuals on operating fuel facilities offered by the **National**

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**The aviation industry is currently sick, financially weak, and we will have to manage our business carefully to steer it successfully through the current stormy conditions that exist.**

France at Berre L'etang and continued with commercial marketing and finance positions in Paris.

In 1990 Xavier was appointed as Business Development Director of **Shell Japan** based in Tokyo. Then, in 1994 Xavier moved to Oil Products, firstly as General Manager of **Shell Czech** and Slovak Republics, then as Gas Business Unit Manager in charge of Butagaz before moving to London at the beginning of 2001 to take up the position of CEO NWE Africa.

Le Mintier brings a global background to Shell Aviation, one of the oil industry's true global businesses.

In an interview with **AAG**, Le Mintier talks about Shell Aviation, the current state of the airline industry and comments on the opportunities and challenges before him

**AAG:** Can you give me your initial reaction in coming over to run Shell's aviation division?

**Le Mintier:** In few words, very exciting job, good teams but "stormy" environment. During my career I have worked in a large variety of positions but this job in Aviation is the most global I ever had.

**AAG:** You are making the transition into the aviation industry. What interested you about heading up Shell's aviation department and what are some of your concerns?

**Le Mintier:** I am interested by the industry and by the job itself. Aviation has always carried an attractive image of dynamism, advanced technologies and even dreams. The job is both interesting and challenging, operating with teams who are both very motivated and good professionals.

My first and main concern is about leading this business to success despite the difficult environment. The industry has moved into a tough climate. For quite some time, even before September 11<sup>th</sup> and since, has been hit by a sequence of events which are still having some dramatic consequences on the business

**AAG:** How about some of your concerns obviously about coming into this position at the present time

when the industry is suffering?

**Le Mintier:** The industry has been suffering for some time. The recent events, with the Iraq war and SARS have only accelerated an existing trend towards significant restructuring and emergence of new players. One year ago, Shell Aviation undertook to review its strategy given the evolution of the context in which it operates. Such review has proved to be very timely and my intention is, given the new externalities, to put the pressure to accelerate its implementation. The aviation industry is currently sick, financially weak, and we will have to manage our business carefully to steer it successfully through the current stormy conditions that exist.

**AAG:** How concerned are you in terms of looking at the financial condition of airlines in regard to extending credit?

**Le Mintier:** It is a difficult issue. In the last 18 months the teams have managed to minimize the pain on both sides with some success and I am confident that we will continue to do so. Credit has to be managed with care and due regard to balancing risk and rewards.

Situations vary widely across the globe. Shell Aviation has just reorganized into five regions exposed to different challenges. Such organization allows us to identify the most appropriate response to each individual case, balancing the local and global factors.

**AAG:** What do you say to your customers that have complained about suppliers pulling in credit when they are under so much financial pressure?

**Le Mintier:** These are difficult decisions and we will always try to engage openly with our customers. Already in many areas the returns on investments are too small to bear the risks which result from the further weakening of the financial situation in the industry. Our business cannot sustain significant bad debts. It requires skillful people, openness and good relationships on both sides to take the wise decisions.

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**It allows us to leverage forcefully the global nature of our business to the benefit of our customers, staff and shareholders.**

**AAG:** You just mentioned the recent reorganization of Shell Aviation. I remember when Shell had 85 operating units around the world. Then it went to 12 clusters in aviation and you say it is now down to 5 regions. Are you happy with that organization or are we likely to see any fine-tuning of that or is the organization structure set in your mind?

**Le Mintier:** The newly defined strategy has been tested against the recent events and confirmed as robust as are the principles of the organization designed to best implement it. Such organization is constructed to be flexible and responsive to be able to adjust with the changes in the environment as well as to the different phases in strategy's implementation. The recent past has led to shifting some priorities and moving some resources. Our challenges differ from one region to another.

Europe is currently our most serious concern. The appreciation of the local currencies against the US dollar have inflated our costs by nearly 20% in a year against income which are mostly US Dollar based. The current situation is unsustainable with a loss making positions in most of our main European airports. It is also unlikely that the US Dollar will come back soon to the levels we witnessed a year ago. In such context we will have to seek ways to improve further our cost efficiency as well as improve our income generation. We see a clear need for differentials to rise at key locations to cover increases of costs. I realize unfortunately that this is happening while our customers are also badly hit by other costs increases, in particular in the area of security and insurance.

Other regions are confronted with different issues: North and Latin America are already proceeding with significant restructuring, Middle East has seen some significant changes in the portfolio of trade with the war, and Asia Pacific has been badly impacted by SARS.

**AAG:** Now that Shell USA reports to you in a centralized location,

how does that help you and what does it mean to the customers now that you truly are a global entity?

**Le Mintier:** Shell is now truly global. It allows us to leverage forcefully the global nature of our business to the benefit of our customers, staff and shareholders. Indeed US, being the largest aviation market in the world, was until now underrepresented in our portfolio.

Our business model in the US is now aligned with the rest of the world with as a main benefit a much improved and easy way for our customers to interact with Shell Aviation. It should be good news for our customers. Our intent to become a major player in the US General Aviation market is one of our main strategic thrusts. I am pleased that we have now signed this deal with Eastern Aviation which will provide both parties with a strong platform to grow.

**AAG:** You were probably pleased that Shell Aviation was voted as *World's Best Jet Fuel Marketer* in the AAG survey doing very well in several of the service categories. But one of the areas where Shell seems to out-perform is in the area of technical service to the industry. How important is that to you that Shell is looked upon as the industry leader in that area?

**Le Mintier:** Shell Aviation's award last year as *World's Best Jet Fuel Marketer* is certainly the success that our teams are most proud of and will work hard to repeat. I am pleased to be given this opportunity to thank the Shell aviation staff for their tireless work which helped us secure this award from our customers.

Such recognition goes hand in hand with top performance. Technical service is part of the operational excellence which we are fostering across every aspect of the aviation business in the way we like to serve the market.

The intimacy with the market, the relationships with the customers are important in every business and at all time. It is of special importance at time of crisis when there is a need for good understanding, openness,

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**There is more pressure than ever of trying to maximize value along the whole supply chain.**

fairness and commercial sense on both side.

The aviation fuel activity is operated through simple processes and hence excellence in everything we do should be our main thrust to satisfy customers, motivate staff and reward our shareholders.

**AAG:** Shell recently tried to get back into the into-plane business at airports in the U.S. Is that something that interests you in bringing the expertise of Shell back on to the airfield in North America?

**Le Mintier:** North America is a tough environment but we believe that the recent Shell Oil's acquisition of **Texaco** assets provide us with an opportunity to re-enter the aviation business and generate profitable growth across the all jet supply chain. These moves will require flexibility in terms of providing the right propositions to new airports and customers. In general, and across the globe, our capacity to permanently adapt our portfolio of trade and locations will be essential to succeed.

**AAG:** There is always the challenge of someone in your position dealing with higher ups in oil company organizations on supply and refining in regard to access in terms of terminals and pipelines. Is there difficulty in defending your turf from others in the Shell organization who will look down on jet fuel and deride the poor margins? I know in the past, oil representatives have told airlines that they are under significant pressure from their seniors about enhancing the margins or if they can't they may lose volume or they may lose refining capacity or lose pipeline access. Are you at all feeling that pressure at

Shell?

**Le Mintier:** There is more pressure than ever of trying to maximize value along the whole supply chain. As a conclusion of last year's strategy review we have modified our "Modus Operandi" at the interface between Shell Aviation and our colleagues of MSD (manufacturing supply & distribution) and of trading to ensure that not only the overall supply chain is optimized, but also that we keep increasing our cost efficiency year after year and finally that we pursue jointly some new growth opportunities. The same model is being used across the world and has already proved to be a winning recipe. This new way of working should bring benefits in all regions, in particular in the U.S where it will simplify the interaction with customers.

**AAG:** Where do you want to take Shell Aviation? What do you want to do with it under your leadership?

**Le Mintier:** I would like to bring Shell Aviation to a position where it is recognized by its customers, staff and shareholders as the undisputed leader of the industry in terms of the way it serves customers, attracts and motivates staff, and finally rewards shareholders. **JFR**→



**FAA to Withdraw from Involvement in Airport Fueling Facilities**  
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**Air Transport Association.**

The impetus also stems from a legal requirement. "There is a law that Congress passed several years ago that basically says that where industry, through a trade organization or something of that nature, has developed standards that are acceptable to the federal government, that we should be adopting those

standards...rather than reinvent the wheel," notes Castellano. "It actually makes a lot of sense."

The draft AC also notes that the National Air Transport Association's (NATA) publication entitled "*Refueling and Quality Control Procedures for Airport*

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“They’re the experts, they know what airports are all about and I don’t think it’s a real good idea for them to give this responsibility to others,” he says.

*Services and Support Operations*” provides information about fuel safety, types of aviation fuels, fueling vehicle safety, quality control checks, fueling procedures and methods for handling fuel spills.

**Richard Mays**, senior vice president at **Robert & Co.**, says in many cases the FAA guidelines overlap with the NFPA guidelines. “NFPA has a number of codes and standards affiliated with airport fueling systems,” says Mays. “FAA’s criteria basically mimics what the fire codes actually state. There are a number of different sections of the NFPA guidelines that address facilities on airports, and more specifically that apply to fuel systems.”

“The only concern would be if FAA needed to have more stringent requirements for the safe movement of aircraft on airfields, which the NFPA doesn’t address,” he says, adding, “It’s not something that FAA should totally ignore but it may not be necessary to have a specific advisory circular....”

But some in the industry say the guidelines, if eliminated, will be missed. “I understand why they want to do it,” says **Bruce Kelley**, program manager for commercial fueling at **Pond & Company**. “It’s older, and some of the wording is carried from earlier versions.”

Kelley adds, however, that the FAA guidelines are more expansive and more specific to airports than the NFPA guidelines. “On the positive side for keeping it, there is a lot of good information in there that the NFPA just doesn’t have. It’s written by fueling people for fueling people at airports. There is a lot of helpful information in there if you’ve never done it before or you’re not sure what you are doing. NFPA is more concerned about fire safety. The FAA standard is all about operating an active fuel system. It includes safety but it includes other things too.”

On the airport side, some in the industry also question the wisdom of getting rid of the FAA guidelines. “I guess on balance we think it’s a bad idea,” says **Richard Marchi**, senior vice president, technical and

environmental affairs for **Airports Council International-North America**. The trade organization elicited comments from its members on the issue.

“We got a mixed reaction from our members,” says Marchi. “Some of them say the NFPA guidelines are pretty good, some say NFPA incorporates a lot of other stuff by reference that is really not pertinent, and they would rather have the FAA say explicitly what they need to do for aviation fuel facilities design and operation.”

“Then there is another point of view that says the FAA shouldn’t be outsourcing advisory circulars,” Marchi continues. “For one thing, compliance is mandatory if you’re using federal funds to do a project. The second thing is that (FAA) loses control of the process. NFPA changes its guidelines quite frequently, which is a good thing because FAA’s problem is that they don’t keep theirs current.”

He adds that the FAA’s open process for formulating and changing policy is attractive to members. “FAA typically will notify essentially everybody in the industry of a proposed change to their advisory material, and typically gives an opportunity to comment, whereas NFPA does it through a much smaller committee....”

That is a key problem in the eyes of **Gary Duncan**, assistant division director, aviation division, for **Southwest Florida International Airport**. “FAA has been in the business for a long time, dealing with airports and writing advisory circulars,” he says. “They’re the experts, they know what airports are all about and I don’t think it’s a real good idea for them to give this responsibility to others,” he says.

“Advisory circulars work, they have always worked and FAA has always given airports the opportunity to comment on them before they are issued,” Duncan adds. “It seems we’re not going to have that opportunity (if NFPA guidelines are substituted), yet

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“I think we need something from the FAA that pertains particularly to airports,” the executive says. “I’m concerned that we’ll be following guidelines that aren’t designed to meet our particular needs.”



