

To PI's bargain buyers, every day is sale day

Ben Franklin's motto, "A penny saved is a penny earned," might well be the axiom for Piedmont's Purchasing Department.

The department's 200 employees, who oversee a budget of \$350 million, make sure that with every purchase that's made, we get our money's worth. That includes watching costs on everything from paper clips and pencils to jet engines and fuel to keep the airline up and flying.

The person heading up this major operation is Kuniaki (June) Tsuruta, vice president-purchasing, who has been involved with the airline industry for the past 27 years, the first 16 as a representative for Kawasaki Heavy Industries, a Japanese corporation which designed and manufactured the YS-11, and the last 11 years, with Piedmont. He assumed his present position just over a year ago.

"I'm combining what I consider the best of each place I've worked to achieve a good, open relationship among our workers," Tsuruta said in regard to his management style.

open

To achieve this goal, the primary area occupied by the department at the General Offices is now open, with few doors or walls, in order to promote better communications among employees. Tsuruta has also designed a basic training course for employees which includes teaching subjects ranging from the art of negotiation to global economics.

"The Company has given us the responsibility to purchase many items, and we're accountable for all of these decisions. The more knowledgeable our employees are, the better-equipped they will be to make these decisions," Tsuruta said.

The training and open concept are paying off. The cost for many items has been reduced, in some cases as much as 20 to 30 percent. The amount of inventory on hand has also fallen 35 percent which, in turn, reduces the amount we must pay in taxes. By negotiating the price and keeping inventories as low as feasible without sacrificing service, the department helps keep down the cost of running the airline.

cost conscious

"We're the stingiest, most cost conscious group in the company, and we don't mind being known this way," Tsuruta added. "The bottom line is a reduction in the cost of items. We want to do our part to decrease the cost side of the financial picture."

buying fuel

One of the ways the department works to save money is by buying jet fuel at the best market price possible. Expenditures for jet fuel are Piedmont's second largest operating expense behind payroll and represents 22 percent of our total operating costs. In 1985, we used over 360 million gallons of fuel or approximately one million gallons each day at an average cost of 78.9 cents a gallon. At this rate, if the price of fuel drops just a cent a gallon, Piedmont could realize an annual savings of more than \$3.6 million.

John Powell, director-fuel procurement, is the person directly responsible for this department. This department keeps tabs on the current market by keeping up with many factors which either directly or indirectly influence the market so that our people can effectively negotiate lower fuel prices.

For example in December, OPEC—because of loss of market share and revenue—defined its policy as being one of primarily protecting its production level rather than price. In response, the price of crude oil fell \$3 per barrel which in turn caused the price of jet fuel to fall eight cents in just two days. This drop enabled our personnel to negotiate lower prices for our fuel.

independent

"We're no longer totally dependent on major oil companies for our fuel," Powell explained. "We're purchasing more from larger independent refiners and traders and on the spot market and futures market for use at high volume locations."

CLT, BWI, and DAY are our three largest stations in terms of fuel consumption. At CLT, we use over eight million gallons each month, and at both BWI and DAY, over three million. And with the advent of The Piedmont Shuttle, fuel use at both MIA and MCO has risen to over one million gallons a month. At BWI, we have our own fuel farm which will have a 50,000-barrel capacity by

year end, and at DAY, we have a fuel farm in conjunction with Delta with 63,000-barrel capacity, 90 percent of which is ours. At CLT, the airport has a fuel farm with 160,000-barrel capacity, 70 percent of which is available for Piedmont.

"We also became shippers of record on the Badger, Colonial, and Plantation pipeline systems," Powell explained. "As shippers, we can purchase fuel directly

"Our primary objective is to purchase fuel at the lowest possible price while securing a stable fuel supply throughout our system," Powell said.

buying power

The international market plays a key role in other areas of Purchasing. Last November, for example, we negotiated a contract for 200,000 pounds of coffee for use in 1986. Because of the

pell said. "We negotiate on the price of everything in order to get the best for the least amount of money."

Results of negotiating can be seen in these examples:

- In 1984, Piedmont spent \$2.1 million on freight charges. In 1985, charges dropped \$150,000 even though we shipped more poundage.

- A \$1 million savings was realized on the cost of new seats for the 737-200 modification program.

- Costs on engine overhauls dropped by over \$1 million from 1984 to 1985.

- The cost of inflight service items decreased, saving the Company \$500,000 in 1985.

"We also control and monitor the repair of all parts sent to outside vendors and administer any warranties over these parts as they apply," Chappell added.

In 1985, 11,000 repair orders were issued to outside vendors, 20 percent under warranty, and \$50 million was spent for engine and aircraft component parts.

"We rely heavily on Data Processing for support," Chappell said. "All of our inventory records and orders are now on computer which has reduced our need for hard copy reports by 50 percent. We have better, more current data than ever before."

support

To better support our aircraft parts and provisioning needs, a new area has evolved. Employees in Material Planning—headed by David Johnson, director-planning and supply—are responsible for making sure we have on hand the aircraft parts we need and that we meet FAA requirements. At the same time, this group works to minimize capital expenditures and optimize aircraft utilization.

"We make sure the right parts are in the right locations when they're needed, and we work closely with Maintenance to insure we meet this goal," Johnson said.



June Tsuruta (left), vice president-purchasing, heads up the department's operations. Among those on his management staff are (l to r) Tom Chappell, director-purchasing and contracts; John Powell,

director-fuel procurement; Tom Cecil, manager-purchasing standards; Henry Duffer, director-material management; and David Johnson, director-planning and supply.

from the Gulf of Mexico and ship the product ourselves which gives us maximum flexibility and control."

Other factors come into play when determining the price of fuel. The Fuel Department looks at the cost of #2 heating oil, because jet fuel and heating oil are similar products and move together when the market changes. They also must be aware of political situations in the Middle East as well as the value of the U.S. dollar.

drought conditions in Brazil, the price of world coffee has gone up 30 percent since that contract was signed, and this action saved us over \$300,000.

Tom Chappell, director-purchasing and contracts, is in charge of the area which is responsible for buying everything from coffee, hot towels, and suit carrier boxes to jet engines for the airline.

"We look at price lists but only as a reference," Chap-



The main area occupied by the department is now open to promote better communications among employees. Gene Shackelford (right), manages the technical purchasing area which buys aircraft parts and supplies.