

EnviroMobiles



**Eco-cars foster a sustainable environment:
Reducing dependence on fossil fuels, to prevent acid rain and global warming**

[Global Enterprise Experience 2007]

[Proposal for a biodiesel car rental agency. When we drive, our cars emit gases that have an impact on the air and our health. Air pollution and emission from gases continues to plague and disrupt the earth's climate. An eco-car is an automobile developed to emit as little of these harmful gases and particles as possible.]

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Executive summary

Air pollution in the United Kingdom (England, Wales, Northern Ireland, and Scotland) is a significantly major problem. It causes thousands of deaths every year and has contributed to acid rain and global warming in several parts of the country. It is destroying the earth's climate. One of the primary air pollutants is road traffic. Something needs to be done to reduce such pollutants and wastes emitting from cars. As a result, in an effort to reduce traffic and pollution in England, EnviroMobiles – a car rental agency – will introduce ecological cars (eco-cars).

Objectives

EnviroMobiles will introduce eco-cars firstly to tourists, and then launch them to the rest of the population residents. The introduction of eco-cars running on biodiesel fuel will dramatically reduce emissions of particulate pollutants while helping to stabilize greenhouse gases, and consequently maintain a clean and sustainable environment.

Background of the car rental industry in the UK

Nowadays, a car rental service is a mature industry in the United Kingdom. Lots of large-scale car rental companies provide comprehensive car hire services with a reasonable price. Their services include providing different models of cars in order to cater customers' needs and related products and services are also offered to ensure customers are having a relaxing and enjoyable experience. Usually, for those leading car rental companies, they have a wide network all over the UK or even worldwide. And they have the ability to provide a low price. Aggressive competition does exist in this industry especially in price and networking.

Market trends of the car rental industry in the UK

Trend 1. Self-driving during holiday

Tourists rent a car to travel around during their vacation is not a new trend in the UK. It is a very common and convenient to explore different site attractions by driving themselves there. When tourists accumulate more traveling experience, they tend to plan their trip rather than join all-inclusive package tours. Transportation is one of the crucial parts in planning the trip. Self-driving is a good choice for tourists to experience more. That is why an increasing number of car rental companies are established.

Trend 2. Sustainable tourism

On the other hand, sustainable tourism has become a popular issue recently. Generally speaking, sustainable tourism is an industry which attempts to lower the negative impacts on the environment and local culture, while generating income and job opportunities to the destination, and conserving the destination's local ecosystems. People tend to start to concern towards the sustainable development in the tourism industry. The UK is considered as one of the worst transportation systems in European countries. Moreover, the UK contributes a lot to the air pollution problem. The concept of eco-driving¹ and eco-car hiring, therefore, is introduced to prevent overdependence on fossil fuels.

Description of the service

EnviroMobiles, a car rental agency, is a medium-scale new established company which provides various models

¹ Eco-driving is a term to name initiative which supports energy efficient use of vehicles

of eco-cars to its customers, as well as related services such as all mandatory insurances, waivers for collision damage liability and vehicle theft etc. The main difference of EnviroMobiles when comparing with traditional car rental agencies is that our cars run only on environmental-friendly biodiesel fuel, as an alternative to fossil fuels. The cost of the fuel and rental is competitive to fossil fuel rental car companies.

Like other fossil fuel car rental companies, online booking is provided by EnviroMobiles. Customers can visit EnviroMobiles' website to learn more about eco-cars and according to their own requirements to do reservations.

Target market

According to the statistical information from the UK government, over 60% of overseas tourists in the UK come from Western Europe in 2006, while 14% come from North America. The remaining comes from other parts of the world. At the beginning stage, EnviroMobiles will target tourists as their customers, especially tourists from Western Europe and North America. When EnviroMobiles develop its networking and becomes well-developed, its target market will expand to local citizens to enhance the impact of eco-cars and seek a sustainable environment.

Location of venture

EnviroMobiles will open up offices and service counters in the main airports and harbors where most tourists arrive. The networking is very important in a car rental industry, and as a result, EnviroMobiles will attempt its best to provide a comprehensive service network to its customers. Offices will be set in the main airports and harbors while some service counters will be set to be considered as information and transfer spots.

The key service locations are the following:

England	Scotland
Heathrow Airport. Birmingham Airport Manchester Airport Harwich Harbor Dover Harbor Fleetwood Harbor Killinglome Harbor	Edinburgh Airport Glasgow Airport Stranraer Harbor
Wales	Northern Ireland
Cardiff Airport Holyhead Harbor	Belfast Airport Larne Harbor Belfast Harbor
Overseas (setting service counters only)	
Amsterdam is the main transportation spot in Europe. EnviroMobiles will set the service counters in Amsterdam Airport. Many flights from Cardiff will use Amsterdam airport as the transit point.	
Dublin is the capital of Ireland which shares the same island with Northern Ireland. The citizens of Ireland tend to choose Northern Ireland as their destination.	

Uniqueness of service

Greenhouse gases emitting from the transport industry are rising in the United Kingdom (see Appendix A); therefore something needs to be done reduce the emissions. EnviroMobiles' aim is to let the public have a satisfied experience driving eco-cars, and be more helpful and considerate towards the environmental issue. The service is, at first, provided to tourists in England and gradually will be aimed at local citizens and also the rest of the UK. The basic idea of EnviroMobiles is to maintain a sustainable environment – to decrease air pollution and prevent global warming – and motivate the public to think about the future of their descendants. The choice of our eco-cars is to be powered by biodiesel. It is a clean-burning diesel fuel, made from 100% natural renewable sources, such as vegetable oil, recycled from restaurants². EnviroMobiles will consider developing more options other than biodiesel, such as electrically-driven, solar-powered, hybrid engines, etc. We will attain leases with various brands and models of vehicles with manufacturers, for instance, Toyota, Honda, etc, and then rent them out to tourists.

Advantages of the product for short-term usage (tourists):

- Experience and testing of car before purchase;
- Wide choice of models available;
- Convenience.

Advantages of the product for long-term usage:

- Value for money;
 - Environmental-friendly;
 - Saving of resources;
 - Free residents' parking permits promised to be given by the second London council³.
-

Goals of company

Short-term goals

EnviroMobiles' goal is to attract as many tourists as possible to try out the car and have an unforgettable experience with it. The outcome is people's willingness to purchase such cars for themselves, thus, a sustainable environment will be maintained. Also, pollution and the emission of greenhouse gases will decrease, for a reason that visits to the UK from overseas is increasing (see Appendix B), therefore tourists will, hopefully, rent an eco-car to travel around the country.

Long-term goals

The aim is to promote the use of eco-cars by motivating people to care about future generations. Our goal is to create an image to the user that eco-cars have an excellent performance when compared to a normal car. There will be numerous educational programs promoting these cars and the outcomes and effects of driving them. For instance, environmental effects of using such a car will be illustrated and the public will be encouraged to drive one. As a result, these will lead to a decrease in air pollution. When eco-cars become popular in the UK, people will use them in other countries as well. In future plans there will be opening ups of more offices and service counters around the globe.

Venture strategies

A. Marketing strategy

First of all, a website <http://www.enviromobiles.com/> will be created to promote the idea of our car rental

² This is supported by the webpage: <http://www.bio-beetle.com/>

³ ETA. (2007). *Council exempts eco-cars from parking fees.* <http://www.eta.co.uk/news/newsview.asp?n=749>

agency and through the website to deliver the information of EnviroMobiles and provide online booking to customers. Secondly, the company will use advertisements as a distribution channel to further promote EnviroMobiles, such as post billboards on the road, and posters at different attraction sites and tourism-related sites to draw tourists' attention. Thirdly, EnviroMobiles will establish good relationship with tourism-related enterprises, (such as travel agencies, hotels, airlines, etc), since they are the channels which communicate with tourists directly. The effect of word-of-mouth is a powerful tool to enhance EnviroMobiles' awareness. Eventually, EnviroMobiles will conduct surveys with customers as a follow-up service in order to evaluate their satisfaction level, as well as help and lead the company to make improvements continuously.

B. Human resource strategy

The employees of EnviroMobiles are all well-educated and experienced experts in different fields. The car rental agency, therefore, has a diverse workforce and culture which helps EnviroMobiles to generate creative ideas, in addition to generating innovation. Meanwhile, managing diversity enhances EnviroMobiles' productivity and enables the company to seek sustainable development.

C. Financial strategy

EnviroMobiles' crucial revenue comes from their car rentals and the relevant service expense is relatively low. In order to be profitable, EnviroMobiles will need to strengthen the relationship between itself and a tourism-related company in a vital way. The aim of establishing a relationship with a tourism-related party is to further promote EnviroMobiles, and consequently, increase revenue. Furthermore, seeking a potential funding agency actively is a vital way for EnviroMobiles to raise its operational capital, especially at the very beginning of operating the business. It is going to target environmental and technology funding aspects, such as the Energy Saving Trust (EST), one of the UK's leading non-profit organizations that aim to achieve the sustainable and efficient use of energy. EST has set a target to cut carbon dioxide emissions, and promote energy saving. It was funded by both the UK government and the private sector⁴. Also, according to its development plan, EnviroMobiles' offices and service counters will expand from England to Wales, Northern Ireland, and Scotland; therefore, the car rental agency is going to apply for different funding agencies correspondently (e.g. Invest Northern Ireland, West Wales Eco Centre, etc).

D. Overall strategies for company's sustainable growth

Initially, EnviroMobiles targets at tourists, and then is going to expand to local citizens, firstly in England and subsequently in other parts of the United Kingdom in its future development. Since environmental-friendly is a new trend, which is practicing globally nowadays, it is a viable plan for EnviroMobiles to achieve this environmental-friendliness by utilizing its resources effectively. This will help foster a sustainable environment.

Financial analysis

Initial expenditure

EnviroMobiles expects to pay for leasehold improvement, furniture and fitting, computer equipment, deposit, etc. before our venture can be started.

Source of finance

EnviroMobiles is a newly established company; the source of finance is a great problem. Especially in the car rental industry, the cost of purchasing cars for the business is too high for EnviroMobiles. Although some existing funding agencies can finance EnviroMobiles, it is only for a limited amount. Such an amount may not

⁴ For more information see: <http://www.energysavingtrust.org.uk/>

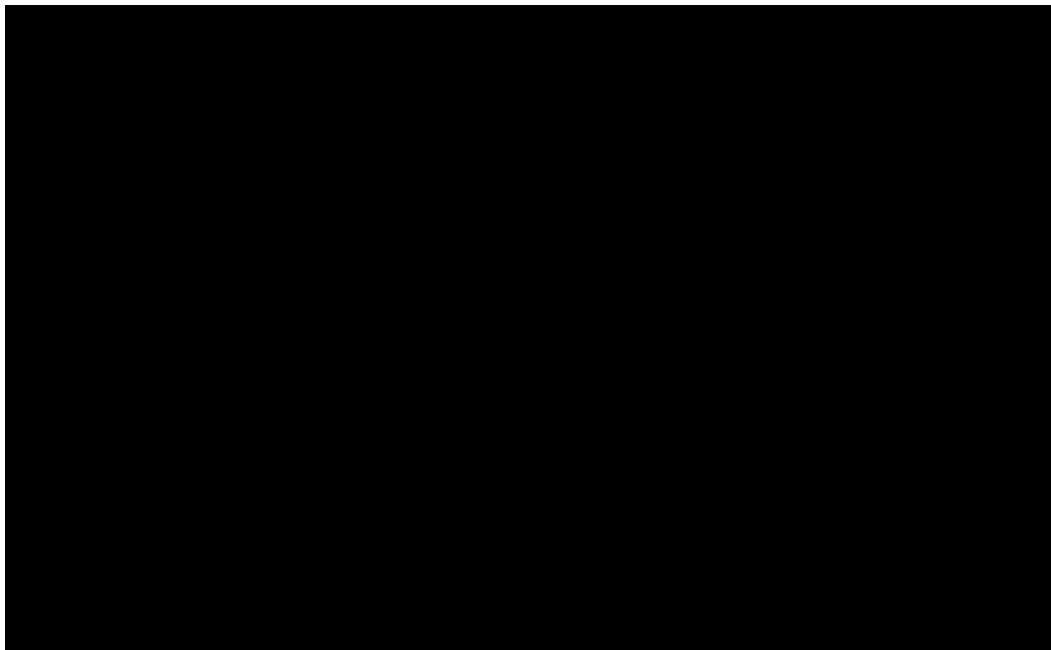
satisfy our company's needs. EnviroMobiles should try to find another solution. Attaining leasing agreements with vehicle manufacturers will be a good choice. The advantages of leasing includes: 100% at financing at fixed rates, protection against obsolescence, flexibility, less costly financing and tax advantage, etc. We believe that leasing can reduce the risk faced by funding providers.

Estimation of sales

EnviroMobiles will try to make lease agreements with several vehicle manufacturers, in order to get up to 40 vehicles per station for rentals to customers. After requesting quotes, the price of car rental per week is roughly £276.52 per week per car⁵. We assumed the vehicle rent out rate is 75%. As a result, our rental revenue is £6,470,568 = £276.52 per vehicle per week x 52 weeks per year x 40 vehicles per station x 15 stations x 75%

Estimation of cost⁶

The lease charges would be estimated as about 22.34% of the rent out price. As mentioned previously, we get the price £276.52 per week per car, so the lease charge is about £61.77 per week per car (£276.52 x 22.34%). If the revenue mentioned is true, the cost of leasing should equal to £6,470,568 x 22.34% = £1,445,524.89. Besides the lease charges, the operating cost is the largest cost to operate the business; it is 51.35% of total revenue, £3,322,637 on the above situation. As the capital is loaned from a funding agency, the interest paid should be taken in our consideration. The current annual interest rate of the England central bank is 5.25%. Assumed that we need to borrow £5 million, at least £262,500 of interest must be paid annually.



After estimating the cost and the sales, a pro forma statement of income is shown above. In conclusion, EnviroMobiles is still profitable. Even though the rate of return is less than the industry leader, we believe that a stable development and performance will be our guideline to success. Otherwise, eco-awareness cannot be built up in a short period; it is a long term goal. Just like EnviroMobiles, it will have a bright future in the run.

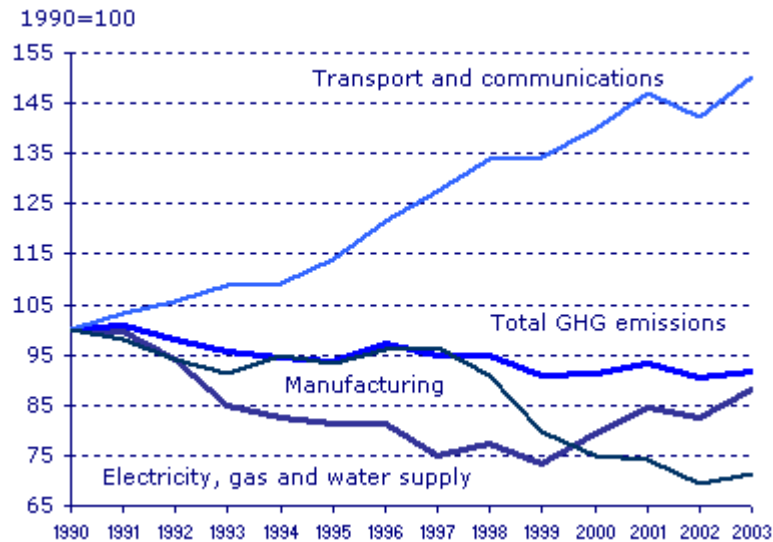
⁵ Quote obtained from The Car Rental Centre UK: <http://www.1st-ukcarrentals.com/>, see quote in Appendix C

⁶ Estimation based on the financial performance of one international industry leader. Details in Appendix D.

Appendix

A. Greenhouse gas emissions indicator

Greenhouse gas emissions, UK, 1990 - 2003



Source: Office for National Statistics and Netcen published on 19 May 2005

Greenhouse gas emissions from the transport industry were 48.4 % higher in 2003 than in 1990. The transport industry was responsible for emitting and equivalent of 95.7 million tones of carbon dioxide in 2003 compared with 64.5 million tones in 1990⁷.

B. News Release: Visits to the UK from overseas increase

There were 8.1 million visits to the UK by overseas residents during September to November 2006 – an increase of 3% when compared with the previous three months, and up 7% on the same period on the previous year, according to figures released today by the Office for National Statistics...

...Visits by overseas residents to the UK rose by 6% during the 12 months ending November 2006, from 30.1 million to 31.9 million. The number of visits from residents of North America showed an increase of 7% (to 4.5 million), from residents of Western Europe of 4% (to 20.4 million), and from other parts of the world of 10% (to 7.1 million).

Source: Provisional statistics published on 10 January 2007 in the Overseas Travel and Tourism First Release⁸

⁷ National Statistics, see: <http://www.statistics.gov.uk/cci/nugget.asp?id=901>

⁸ National Statistics, see: <http://www.statistics.gov.uk/pdfdir/ottnr0107.pdf>

C. *Quote for The Car Rental Centre*

The Car Rental Centre

The Rez Center

Ely House

Ely Road

London

E10 6ER

Web: <http://www.1st-ukcarrentals.com>

Your Quote for Car Rental

Thank you for asking The Car Rental Centre to quote for your car rental requirements. We are pleased to say The Car Rental Centre has invested many man-hours, in gearing our whole rental operation to work for our customers. We pride ourselves on the high level of customer service we achieve, we are also sure you will find us good value for money.

At The Car Rental Centre we are aware that car rental can be a stressful time for the best of us, that's why we have made our service very easy to use. In fact we call it hassle free. So allowing you to start enjoying your holiday the moment you drive off in your rental car, or even getting to that all important business meeting faster. If you need to cancel your trip for any reason, The Car Rental Centre will refund your money back in full, with no penalties. We are sure once you have tried our service; you will be delighted and will never look back.

Think of all the extras you are getting with The Car Rental Centre, and when comparing quotes from other rental agencies, check that they include all that we offer, at no additional cost to you.

How to Pay

At The Car Rental Centre you are able to pay for your reservation deposit using any of the following cards, Visa/Visa Debit (excludes Electron cards), MasterCard and Switch Maestro. All reservations deposits must be paid in advance using one of the above cards. You then pay the remainder when you collect your car.

Pick Up London City Airport 2/4/2007 @ 9:30

Drop Off London City Airport 9/4/2007 @ 9:30

Duration (days) 7

Your Rate Includes: Unlimited mileage, insurance, free extra driver, collision damage waiver (CDW), theft protection (TPI), all taxes and one way fees if applicable , road tax fees, 24 hour UK breakdown, and airport location fees if applicable. Below are the car types available, if you need more detail on the cars please click the suppliers logo, further details will then be shown.

Cars priced from £118.33

<i>Supplier</i>	<i>Collect From</i>	<i>Drop Off</i>	<i>reservation deposit payable now</i>	<i>Amount payable when you collect car</i>	<i>Total cost</i>	<i>Reference</i>
	Europcar Desk In	Europcar Desk In				
Manual Mini 3DR	Terminal	Terminal	£15.43	£102.90	£118.33	FR2168144
Manual Economy 3DR	Europcar Desk In	Europcar Desk In				
	Terminal	Terminal	£16.23	£108.22	£124.45	FR2168145
Manual Compact 4DR	Europcar Desk In	Europcar Desk In				
	Terminal	Terminal	£18.13	£120.89	£139.02	FR2168146
Compact Special 4DR	Europcar Desk In	Europcar Desk In				
	Terminal	Terminal	£19.93	£132.86	£152.79	FR2168147
Intermediate with air-con	Avis Desk In	Avis Desk In				
	Terminal	Terminal	£21.24	£141.61	£162.85	FR2168164
Compact Auto	Europcar Desk In	Europcar Desk In				
	Terminal	Terminal	£23.75	£158.34	£182.09	FR2168153

Cars priced from £207.29

Compact Estate 4DR	Europcar Desk In	Europcar Desk In				
	Terminal	Terminal	£27.04	£180.25	£207.29	FR2168148
Manual Standard 4DR with air-con	Europcar Desk In	Europcar Desk In				
	Terminal	Terminal	£27.66	£184.38	£212.04	FR2168152
Intermediate air-con Auto	Europcar Desk In	Europcar Desk In				
	Terminal	Terminal	£27.91	£186.06	£213.97	FR2168150
Standard 4DR Auto air-con	Europcar Desk In	Europcar Desk In				
	Terminal	Terminal	£30.66	£204.40	£235.06	FR2168154
Intermediate Estate air-con	Avis Desk In	Avis Desk In				
	Terminal	Terminal	£30.85	£205.66	£236.51	FR2168165
Intermediate Size Van 7 Seats air-con Manual	Europcar Desk In	Europcar Desk In				
	Terminal	Terminal	£35.96	£239.75	£275.71	FR2168151
Premium 4DR Auto air-con	Europcar Desk In	Europcar Desk In				
	Terminal	Terminal	£40.34	£268.94	£309.28	FR2168156

Cars priced from £329.73

Premium 4DR Auto air-con	Avis Desk In	Avis Desk In				
	Terminal	Terminal	£43.01	£286.72	£329.73	FR2168167
Full Size Van 7 Seats Auto	Europcar Desk In	Europcar Desk In				
	Terminal	Terminal	£46.48	£309.89	£356.37	FR2168159
Full Size Van 7 Seats Manual	Europcar Desk In	Europcar Desk In				
	Terminal	Terminal	£46.72	£311.50	£358.22	FR2168158
Luxury 4DR Auto air-con	Europcar Desk In	Europcar Desk In				
	Terminal	Terminal	£53.19	£354.62	£407.81	FR2168157

This quotation is valid for 30 days

We look forward to greeting you as a The Car Rental Centre customer in the very near future.

Kindest Regards

Lisa Brooks
Reservations Manager

Quote version 28/06/24460

Powered by The Car Rental Centre

D. One of the Leading Rental Car Company – Cendant Car Rental Group, Inc.

Introduction to the Cendant

Owner of Avis Rent-A-Car System, Inc. and Budget Rent-A-Car System, Inc., subsidiary of Cendant Corporation (NYSE: CD), is the largest car rental company serving North America, the Caribbean, Australia and New Zealand. Through its subsidiaries and franchisees, the company operates the Avis Rent-A-Car system, the industry leader in customer service, and the Budget Rent-A-Car system, the leading value-oriented rental car brand. Both of the above brands also provide car rental service in the UK.

Simple analysis for the financial statement of the company

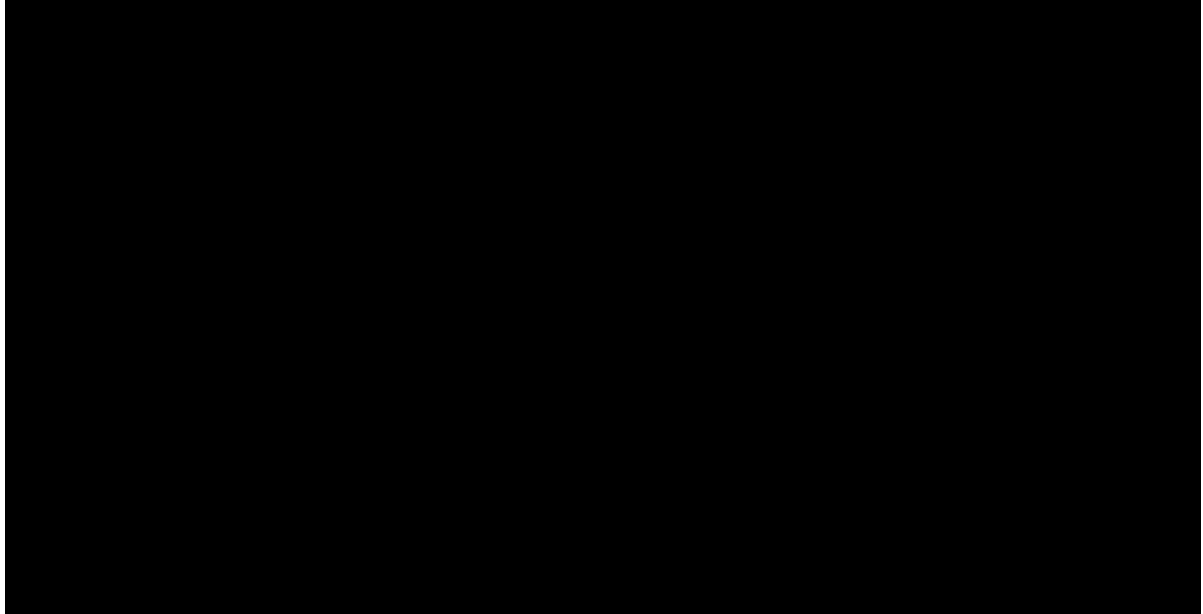
**Cendant Car Rental Group, Inc.
Consolidated Statements of Income**

(In millions)	Year ended December 31,		
	2005	2004	2003
Revenues			
Vehicle rental	\$4,302	\$3,860	\$3,788
Other	1,014	849	811
Total revenues	5,316	4,709	4,599
Expenses			
Operating, net	2,735	2,429	2,346
Vehicle depreciation and lease charges, net	1,238	988	1,046
Selling, general and administrative	621	583	616
Vehicle interest, net	309	244	265
Non-vehicle depreciation and amortization	80	73	73
Non-vehicle interest expense (income), net	(20)	8	38
Total expenses	4,963	4,325	4,384
Income before income taxes	353	384	215
Provision for income taxes	129	147	79
Income before cumulative effect of accounting change	224	237	136
Cumulative effect of accounting change, net of tax	(8)	—	—
Net income	\$ 216	\$ 237	\$ 136

Exhibit 1⁹

As Cendant Car Rental is one of the leaders in the industry, its financial situation can most likely represent the whole industry. Based on the above Income Statement, we have obtained some information which we can use for our reference as follows:

⁹ Source from : http://www.avisbudgetgroup.com/docs/ABG_Q2_2006.pdf



Note:

- Operating, net: included staff salary, utility, rent, etc.
- Vehicle depreciation and lease charges, net: included the depreciation of the leased vehicle and also the agreed rental pay to vehicle supplier.
- Vehicle Interest is the interest paid to supplier caused by the leasing agreement.
- Non-vehicle depreciation and amortization included the depreciation of other assets e.g. furniture, computer equipment, and leasehold improvement.
- Non-vehicle interest (income) included the interest of loan or the interest received from bank deposit.

E. *EnviroMobiles' logo and name*



Source: picture from ClipArt

The logo of EnviroMobiles reflects its most important quality. The green color symbolizes the economical and environmental-friendly cars that the company rents out to the public. The color represents a clean, green, sustainable environment.

The name of the car rental agency – EnviroMobiles – comes from the linkage of the words “environment” and “automobiles”. The name signifies the concept of the business and its environmental-friendliness.