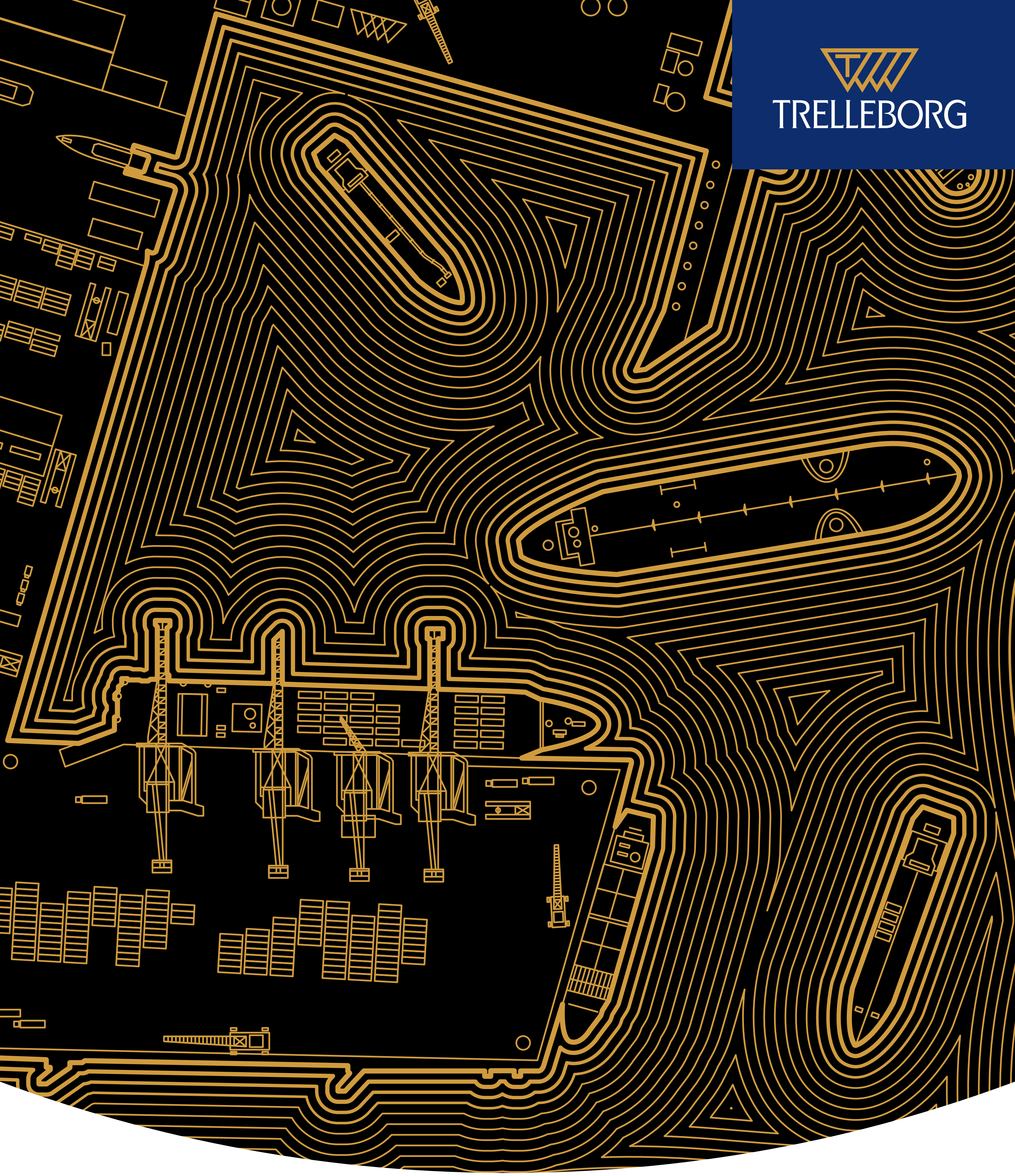
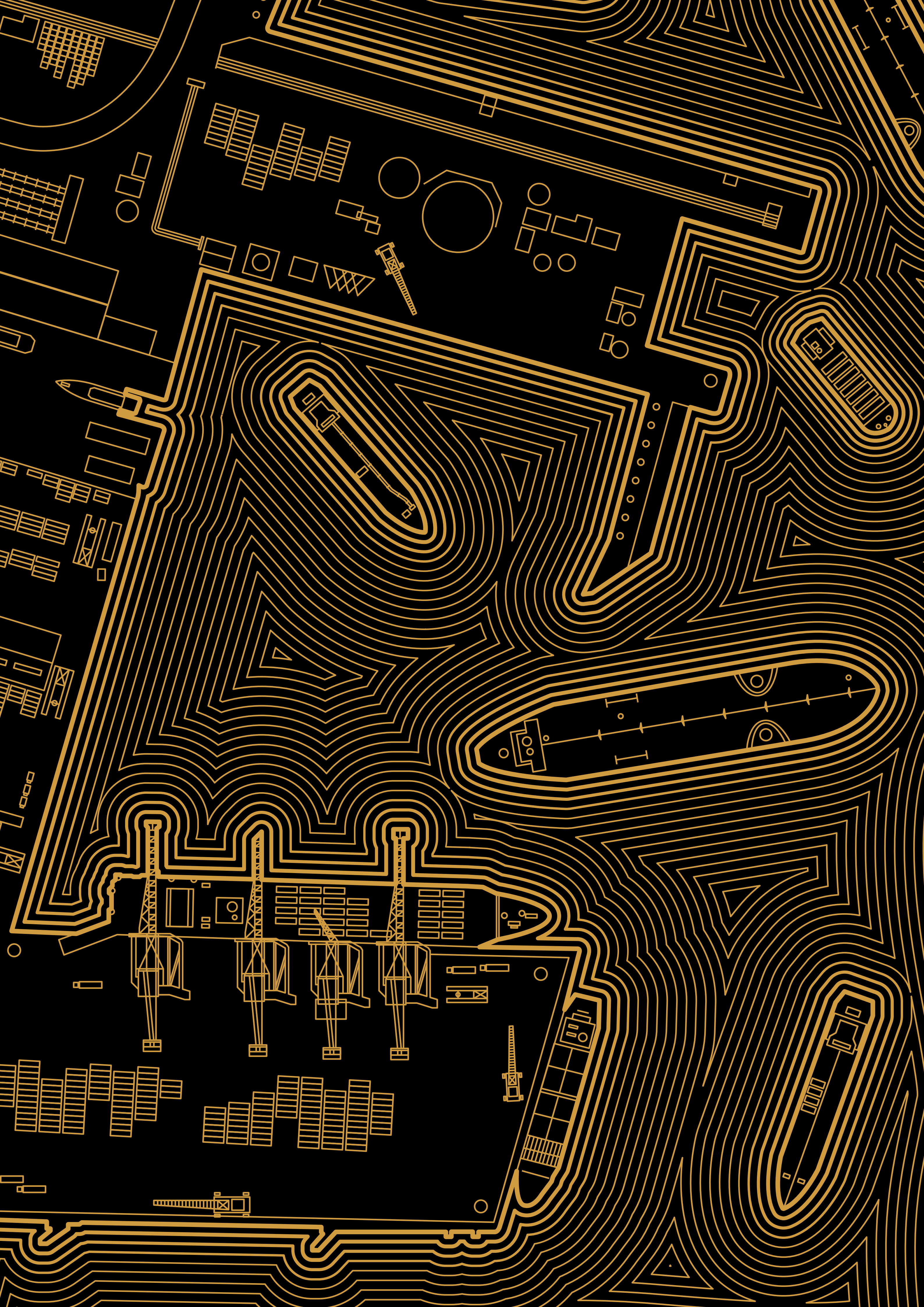


TRELLEBORG

The Barometer Report

Charting stakeholders' perceptions of the commercial ports, harbours and terminals industry

Trelleborg Marine and Infrastructure | **Takes the pressure off**



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Preface

This research-led white paper is based on the views of approximately 150 senior industry stakeholders, including port owners / operators, engineering consultants and contractors. In bringing this document together Trelleborg Marine Systems has commissioned an independent study, in conjunction with Port Strategy magazine, which explores the operational, commercial and environmental pressures on senior decision makers in the ports, harbours and terminals industry.

Using robust, quantitative data, the report outlines existing perceptions on a range of issues pertinent to the industry. The paper also seeks to highlight key challenges, identify common ground and propose changes to the way in which products and services are procured, installed and maintained for mutual benefit.

The conclusions, to follow, highlight that there is optimism about the commercial marine sector's economic outlook, a high degree of uniformity on the main issues, but also worrying implications for the upgrade of port facilities. Of note, it is concerning that the industry has a heavily price driven approach when it comes to maintenance investment, whilst suffering from excessive downtime.

A market report by Trelleborg Marine Systems in association with Port Strategy magazine.

1.0 Operations & Management

This section focuses on decision makers' attitudes to their everyday roles and responsibilities covering issues such as risk, bureaucracy, downtime and the role of technology in port operations.

Key findings:

Downtime

- 1 in 5 operators believe that 25% or more of their port's downtime is unscheduled
- The vast majority (88%) of operators, consultants and contractors think that new technologies are effective in reducing operational incidents, such as collisions
- A similar number (87%) believe that having a safer port environment directly contributes to reducing costs. 10% of operators and consultants dispute that there is a link

Management

- More than half (55%) of operators and a third (34%) of consultants believe shipping companies hold the most power in negotiations. Meanwhile, contractors (60%) suggest that it is the port, as paymaster, which has the upper hand
- More than three quarters (77%) of operators believe that the collection of data during berthing operations has helped them manage customer needs. This is supported by almost half of all consultants (43%) and contractors (40%)
- The largest proportion of all respondents (46%) claim that there has been no increase in disputes caused by incidents over the last 12 months
- 41% of operators are spending some or significantly more time managing risk, but this falls to 1 in 4 (27%) among consultants

Administration

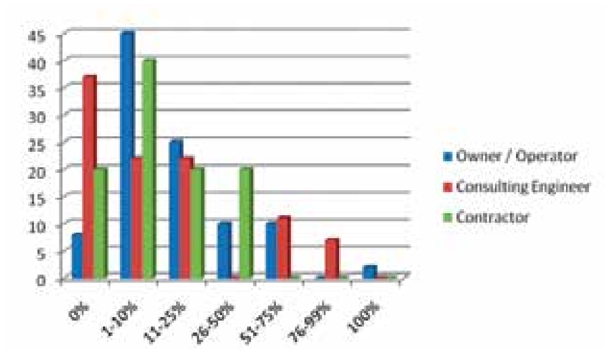
- The majority of respondents (37%) have noticed that their paperwork obligations have increased over the last 12 months. On the other hand, 1 in 5 (22%) operators are less burdened by red tape than before
- More than half (51%) of operators surveyed are experiencing greater demand for berthing and mooring data from operations personnel. 30% of consultants and 40% of contractors have encountered the same trend

Conclusion

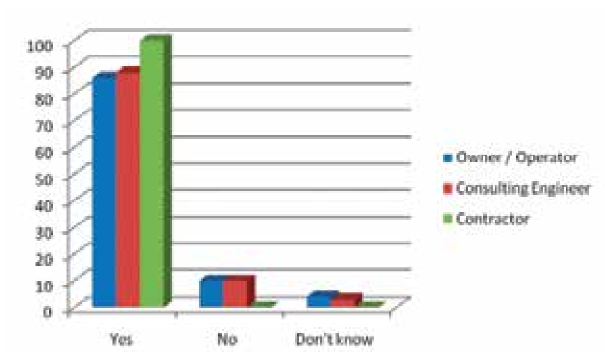
Port operators, in particular, are being hit with a triple whammy of operational and management disruptions with excessive amounts of downtime, bureaucracy and disputes.

But the silver lining is that new technologies and data are being harnessed to ease the burden, reduce port incidents and improve customer management.

What proportion of your port(s)' downtime was unscheduled in the last 12 months?



Do you believe that having a safer port environment would directly contribute to reducing costs?



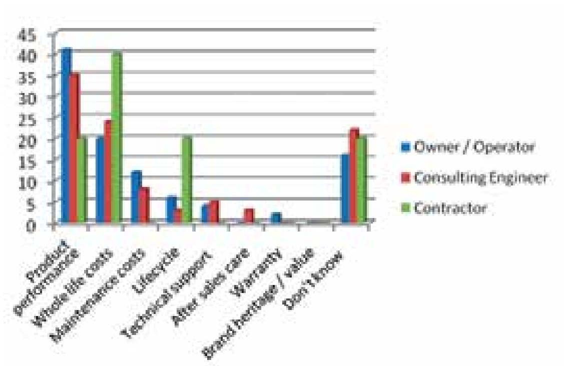
Trelleborg Marine Systems says: ***"Ports need to identify their operational weaknesses and tackle them quickly. Using experienced third party suppliers and contractors at the start of this process will help reduce the frequency and length of downtime. It could also avert a pressure situation, such as system failure or fatality."***

"It is also increasingly apparent that operators are under increasing pressure to satisfy the growing needs of customers and enhance their transparency and accountability to internal stakeholders. Coupled with this, competition between ports is fierce and only the safest, most efficient and productive terminals will sustain growth over the long term. In such an environment, technology is a port owner's most effective weapon."

2.0 Finance & Investment

This section examines the level of business confidence in the sector, highlighting stakeholders' investment priorities and purchasing criteria.

Which is the most important consideration when investing in berthing & mooring solutions?



Key findings:

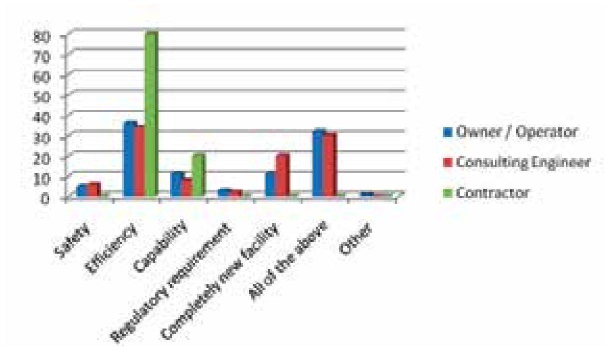
Investment

- 50% of operators are confident that there will be a slight or significant increase in capital expenditure in the year ahead. In contrast, 80% of contractors expect to see reduced or static investment
- A similar pattern emerges for operational expenditure, with operators (50%) claiming their budgets will increase, while contractors (80%) anticipate cut backs this year
- Over the next five years, more than three quarters (78%) of all audiences anticipate significant investment in port facilities. However, only port operators (41%) are confident it will be at higher levels than the previous five-year period. Consultants (69%) and contractors (80%) are more cynical and believe budgets will diminish, or remain flat
- Efficiency (34%) is the biggest single area where operators' investment is likely to be made. Consultants (37%) and a huge majority of contractors (80%) also anticipate that ports will invest to generate better efficiencies
- Worryingly, and in contradiction of operators' belief that a safer port environment reduces costs, just 6% see safety as an investment priority
- Across the board, well over a third of respondents (39%) felt that port side investment was appreciated by shipping companies, but hadn't generated any additional business. A smaller proportion of respondents (1 in 5) felt that investment was directly responsible for winning or securing contracts

Purchasing

- In purchasing products, services and equipment, more than half of operators (52%) are witnessing some or significant downwards price pressure. Two thirds of consultants (67%) and the entire sample of contractors (100%) agree that price erosion has occurred due to increased supplier competition
- In terms of specifying berthing and mooring products and services, performance is by far the biggest influence on operators (41%), followed by whole life costs (20%) and maintenance costs (12%). The largest proportion of contractors (40%) prioritise whole life cost, while consultants (35%) follow operators' lead when it comes to product performance
- Despite this, more than a third of operators (39%) feel that maintenance costs are a greater issue for them than a year ago. All contractors agree it is now more important, while 40% of consultants say that maintenance costs are no more of a factor now than a year ago
- Unsurprisingly, over a third (37%) of operators have noticed that maintenance levels have decreased as a result of budget pressures. More than half of contractors (60%) and consultants (51%) agree this is the case
- In a perverse, but welcome, development almost two thirds (63%) of operators and half (49%) of consultants would be prepared to pay for more preventative maintenance. 24% of operators wouldn't, while contractors are split on the issue

In which areas do you expect investment to be made?

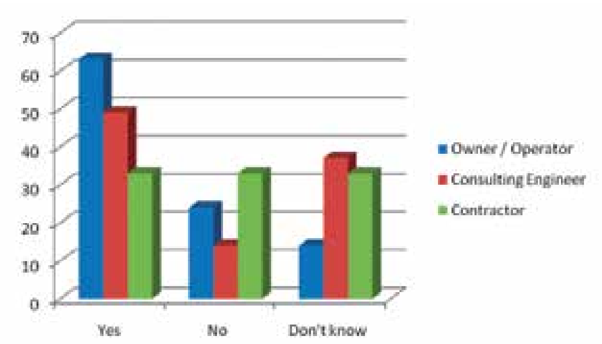


Conclusion

Preventative maintenance is an important issue for operators, yet downtime is relatively high and investment prioritisation is low. There's an acceptance that prevention is better than a cure, but the industry is not taking its medicine.

On balance, this inconsistency is clearly being fuelled by reduced budgets which are dictating that short term efficiency gains are prioritised above safety performance and longer term cost savings. This is understandable, but operators are running the risk of underplaying the link between maintenance and productivity.

Would you be prepared to pay more for preventative maintenance?



Trelleborg Marine Systems says: ***"Whole life costs should sit at the heart of the specification process and we'd welcome more operators putting maintenance into this calculation, which is the only true way to evaluate the performance of suppliers and their solutions. Suppliers must take the lead by evidencing the tangible benefits of maintenance in order to gain a greater share of the investment pool and ensure safety doesn't fall down the food chain."***

"We work with each of the top 10 commercial ports in the world and it's clear that these operators understand the link between maintenance investment and productivity, cost reduction and growth. Even if the pay off isn't immediate, in the form of new business, most decision-makers recognise that the world's strongest shipping companies are not going to be attracted by second-rate facilities."

3.0 Specification & Sustainability

This final section reveals decision makers' attitudes towards suppliers and the value of their expertise in relation to cost. The findings also explore whether third parties are successfully integrating their services and if environmental pressures are impacting upon buyers' purchasing decisions.

Key findings:

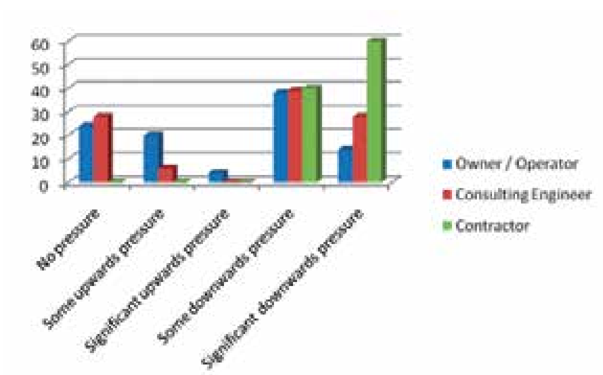
Suppliers

- More than half of operators and consultants believe that supplier expertise and support carries equal importance to the cost of their services. A large number of consultants (31%) and operators (28%) even claim that they choose expertise over cost
- All stakeholders were candid when it comes to evaluating suppliers' ability to integrate with port operations. Half of operators claim that the integration of products and services is poor or, at best, mixed. Even more contractors (80%) and consultants (67%) hold this view
- Overall, 23% believe integration is good or excellent

Environment

- Despite the global recession and widespread cost cutting, over three quarters (79%) of operators are under pressure to specify more green materials. A larger number of consultants (86%) and contractors (80%) also feel that sustainable product solutions are a major consideration when specifying port equipment

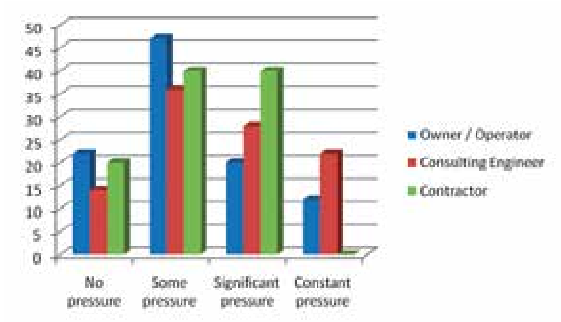
To what extent are suppliers driving pressure upwards or downwards?



Conclusion

The need to demonstrate cost and efficiency improvements is as much in vogue within the ports, harbours and terminals industry, as any other. Budgets undoubtedly remain under pressure but, as the financial outlook improves, it is reasonable to assume that environmental considerations will elevate in importance and feasibility. The industry will need to refocus its attention, voluntarily or otherwise, on longer term environmental aspirations, but with at least one key difference. Suppliers must demonstrate, in overall cost terms, that greener also means leaner. Only then will it become the norm, rather than a perceived extra.

How much pressure are you under to specify sustainable or green materials?



Trelleborg Marine Systems says:* *"Operators need to be more robust in the procurement process to weed out low cost, low grade, imitation products and 'broker' suppliers. More value needs to be assigned to the suppliers who can demonstrate genuine design and manufacturing capability as well as technical support, a strong track record and customer endorsement.

"Suppliers also need to get to grips with the specific issues at each port in order to better integrate with their requirements and provide meaningful feedback. There are signs that this is beginning to happen, and more frequently, which is important if we are to make performance improvements and boost the overall reputation of the industry."

4.0 Executive Summary

Consolidated findings:

- All parties, in the majority, agree there is a link between safety and cost reduction
- The industry is witnessing excessive amounts of unscheduled downtime
- Efficiency improvements are the key investment priority
- Stakeholders are leveraging new technologies and data collection to enhance the smooth running of port operations
- Despite most stakeholders being prepared to pay more for preventative maintenance, there is a widespread acceptance that budget pressures have forced cut-backs
- Future port investment forecasts are mixed with operators proving to be highly optimistic, while others in the supply chain remain cautious

Commentary

The research has revealed that stakeholders are broadly in agreement and optimistic about the outlook of the commercial marine sector. Overall business confidence is relatively high, particularly when viewed against the outlook of a global economic downturn and what would appear to be a slow and modest recovery.

The consistency of views across the different stakeholder groups is encouraging and indicates that the industry is working together effectively or, at least, has a mutual appreciation of each other's pressure points. This, arguably, provides a strong commercial footing for relationships to flourish.

However, it is clear that certain challenges persist. Not least, the need to bridge the gap between the aspiration to invest in preventative maintenance and a willingness to physically invest. Money speaks the loudest, of course, and given that so few operators appear to identify safety as a business spend priority, it is unclear whether they are merely paying lip service or are too under-resourced to act.

The best way to tackle inertia in this vital area is to put whole life costs at the heart of the maintenance specification process. From this, greater cost and operational efficiencies will follow, not to mention long-term commercial growth.

In practice, it will require that operators, and other purchasing influencers, are more robust in the procurement process and that they recognise the false economy of investing in the budget choice. The short term savings that can be achieved by sourcing low grade products or solutions are superficial and ignore the benefits of having integrity built into the entire supply chain.

Safety viewed as a commodity is a dangerous and costly game. The industry cannot afford to under invest which is why it pays to outsource to suppliers who can bring design and manufacturing capability to the fore backed by technical support and a strong track record which, ultimately, delivers greater customer safety and satisfaction.

A market report by Trelleborg Marine Systems in association with Port Strategy magazine.

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