

# FACE The INDUSTRY

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# Stephen L. Cabano



President/COO,  
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**Today's Topic:**

# ***The New Seller's Market***

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# The Panel

Addressing these issues are 4 experienced industry panel members who will be fielding questions from the audience:



**Debbie Adams**  
Chief Procurement Officer,  
ConocoPhillips



**Melissa Herkt**  
President,  
Process Systems &  
Solutions,  
Emerson Process Management



**John Mika**  
Director of  
Supply Management,  
Jacobs



**Kirk Wilson**  
Vice President Marketing,  
Flowserve  
Pump Division

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# Industry Trends

- **Capitol Projects Increasing at Unprecedented rate**
- **Expansion is Global not just North America**
- **EPC Industry responding but reality is;**
  - **Depletion of knowledgeable skilled workers, home office and field**
  - **Downsizing of owner, contractor and suppliers**
  - **Mega scale projects increase & complex**
  - **Frequent natural and man-made disasters**
  - **Raw material availability and pricing unstable**

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# Industry Trends

## Results:

Pressure on all aspects of the supply chain including:

- EPC Services
- Equipment & Material Manufacturers
- Raw Material Suppliers

Let's look at some data...

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# Examples of Recent Global Market Impacts

- **Refining Reactors**

- 2006...Delivery times extend to 24 months, plate construction
- 2006...Delivery times extend to 30 – 40 months, forged ring construction

- **Large Centrifugal Compressors**

- 2006...Delivery times extend to 14 – 19 months

- **API Multi-Stage Pumps**

- 2006...Delivery times extend to 14-15 months

- **Fired Heaters**

- 2006...Delivery times extend to 15-18 months

- **High Pressure Heat Exchangers**

- 2006...Delivery times extend to 21 months

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# Forecast Price Increases

- **Refining Reactors**
  - 2006...Increasing 15%
  - 2007...Increasing 11%
  - 2008...Increasing 8%
- **Centrifugal Compressors**
  - 2006...Increasing 10%
  - 2007...Increasing 7%
  - 2008...Increasing 6%
- **HP Heat Exchangers**
  - 2006...Increasing 12%
  - 2007...Increasing 9%
  - 2008...Increasing 7%
- **API Multi-Stage Pumps**
  - 2006...Increasing 10%
  - 2007...Increasing 9%
  - 2008...Increasing 7%
- **Piping Commodities-2006 Increases**
  - Fittings - 8.5 % to 20%
  - Seamless Pipe – 10% to 30%
  - Flanges – 8.5% to 20%
  - Valves – 8% to 18%
- **Structural Steel 2006 Increase**
  - 15% to 18%
- **Elec. & Instr. 2006 Increases**
  - Motor Control Centers – 11%
  - Electric Cable – 15% to 20%
  - Transformers – 8.5% to 15%
  - Transmitters – 5% to 7%
  - Analyzers – 10%
  - Control Valves – 5% to 7%

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# ARS Question



Please Identify yourself as:

1. Owners Organization



2. Contractors Organization



3. Supplier



4. Academia or Other



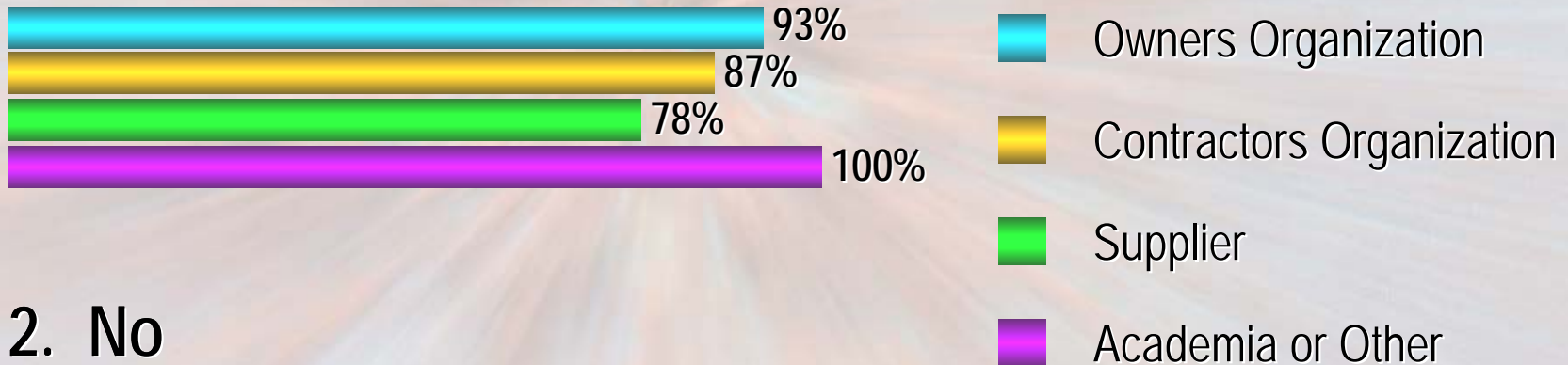
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# Audience Polling No. 1

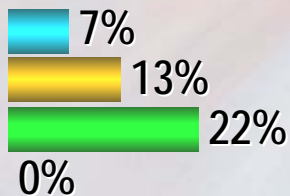


If we define a Sellers Market as being a marketplace that the suppliers are driving the delivery schedules and pricing: *Do you believe we are in a Sellers Market?*

## 1. Yes



## 2. No



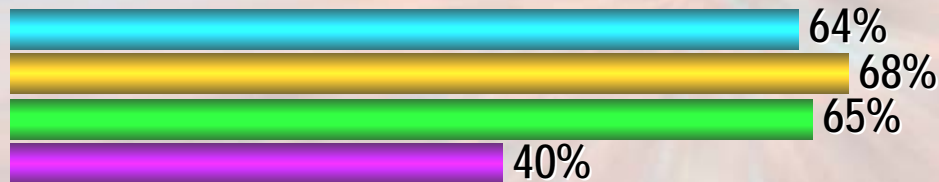
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# Audience Polling No. 2

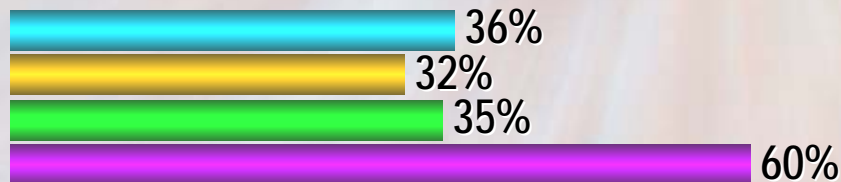


Being that the marketplace has dramatically changed over the past 2 years: *Has your approach to buying or selling services / materials / equipment changed in the past 2 years?*

## 1. Yes



## 2. No



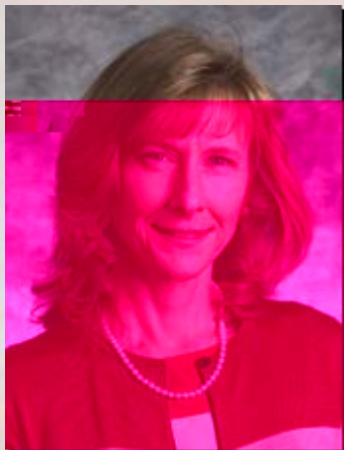
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# The Question

**So, what do we do about this  
dramatically fluctuating supply  
chain environment?**

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# The Panel



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# Fax Transmittal

TO: Kirk Wilson

FROM: Betty Buyer

QUESTION:

How do you feel that owners and engineering contractors can work more closely with the equipment companies to meet project scheduled requirements?

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# Instant Message

To: John Mika

In 2004 supply markets began a run up in pricing and longer lead times, things seem more stable currently, but how have these changes impacted the EPC contractor's execution approach?

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