



Barometer Report 4

FOR CONTRACTORS AND CONSULTANTS



A Port Performance Report

For this year's Barometer Report, we surveyed 200 port owners, operators, contractors and consultants on a range of topics pertinent to the industry, with the intention of finding out just how well owners and operators feel their ports are performing, and whether consultants and contractors agree.

We wanted to understand your views on a number of industry issues, including how you perceive clients' attitudes towards issues such as upfront purchase cost Vs lifetime value, as well as understanding both groups' views on investment, maintenance and support.

So, this year, we split the survey between owners and operators, and contractors and consultants, to get a deeper understanding of the respective issues each faces.

Here, we'll take a look at things from the contractor and consultant perspective.

The report discusses:

1 The issues your clients are facing

2 The industry outlook on expenditure

3 Helping your clients navigate the obstacles to port performance

4 The market knowledge gap

5 Getting the support you need to support your clients

Executive summary

Your clients are facing unprecedented challenges, brought about by historic underinvestment, new technology and increasing and varied demand, as a result of increasing vessel sizes and stringent environmental regulations.

Whilst over the last four years, ports have been under financial pressure and prioritized upfront purchase cost over whole life value, the outlook on investment is now more optimistic than ever. This boost to budgets represents a huge opportunity for facilities to get ahead of demand

by specifying quality and optimizing the new technologies available to them.

Of course, new opportunities for port owners and operators bring new opportunities for contractors and consultants. However, to help clients to specify true quality and begin to navigate out of this perfect storm, contractors and consultants need to overcome some gaps in their specification education, and work more closely with suppliers to obtain the knowledge they need.

The issues your clients are facing

Your clients are already struggling to keep up with the demands on their facilities; with many concerned that current port infrastructure is not adequate to keep pace with the increasing onwards logistics requirements of increased vessel sizes and throughput.

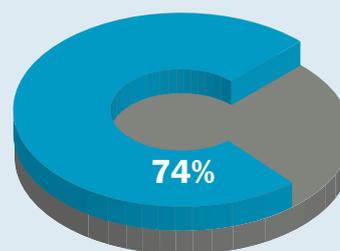
In addition to larger vessel sizes, more stringent environmental regulations coupled with the emergence of new technologies, mean there are a lot of factors for ports to take into account just to keep pace, never mind get ahead.

A large proportion of the port owners and operators surveyed say they are still not using automated mooring and guidance systems at their facilities. Whilst their terminals struggle to keep up, a new breed of port is emerging, with state-of-the-art infrastructure capable of handling huge new vessels.

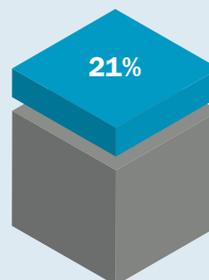
Your clients are seeing an increase in demand, and more variety in the types of traffic they have to accommodate, but they're also taking a reactive approach to dealing with it. With so many taking a "wait and see" approach to the expected increase in LNG bunkering which will follow next year's ECA regulations, a "chicken and egg" situation is arising.

Ports are reluctant to invest in infrastructure to accommodate the bunkering vessels, before the ships are built – and shipping lines are reluctant to build the ships before the infrastructure is in place to support them.

A complex picture is emerging: your clients have many and varied demands to meet, but it seems paralysis is creeping in. With so many factors to consider, they need guidance to take a holistic approach, which will allow them to meet the demands placed on them now and adapt in the future, to avoid being left behind.

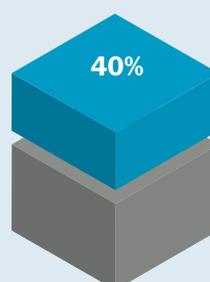
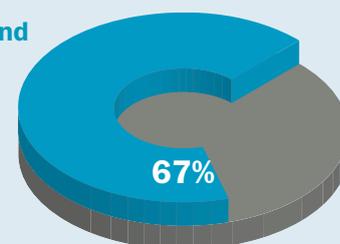


74% of port owners and operators think the need to update existing port terminals and facilities is the biggest challenge brought about by increasing vessel sizes



21% of port owners and operators expect container terminals to enjoy the biggest increase in demand over the next five years

67% of port owners and operators are taking a "wait and see" approach to the expected increase in LNG bunkering, following implementation of the 2015 ECA regulations



40% don't think current port infrastructure is adequate to keep up with the increasing onward logistics demands of increased vessel sizes and throughput

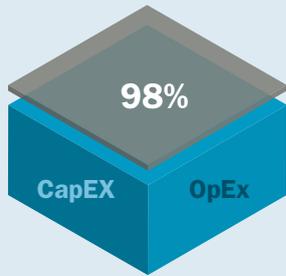
19%

of port owners and operators do not use any automated systems at their facility

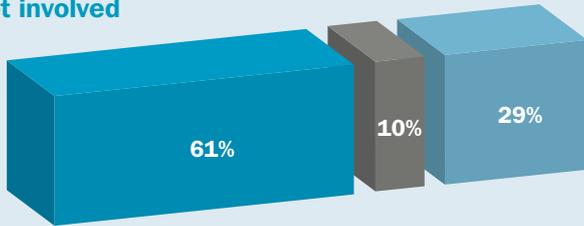
27%

of contractors and consultants expect Eastern Asia to see the biggest increase in demand for marine infrastructure upgrades in the next five years

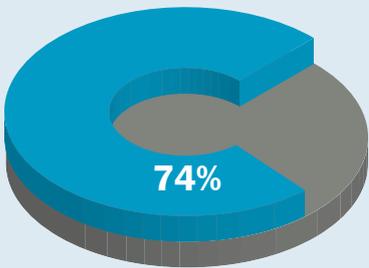
98% of consultants and contractors expect both capital and operational expenditure budgets to increase over the next twelve months



61% of contractors and consultants think that clients are concerned by upfront purchase costs, with only 29% focused on whole life costs. The remaining 10% say clients don't tend to get involved



22% of you perceive your clients have a risk averse attitude to marine infrastructure upgrades – they stick with what they know and re-specify the same equipment

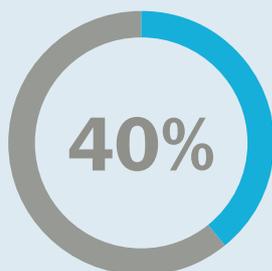


74% of port owners and operators are still suffering unscheduled downtime

20% have suffered unscheduled downtime due to fender damage

Almost two thirds of port owners and operators say they have upgraded fender systems in the last five years

However, 40% of contractors and consultants say that clients upgrade fender systems every 10 – 20 years



The industry outlook on expenditure

Whilst your clients are facing increasing and varied demands, they are still feeling optimistic as they begin to navigate out of four years of underinvestment. And it seems you agree they have reason to be.

The vast majority expect capital and operational expenditure budgets to grow, representing a huge opportunity for the sector to finally get to grips with the impacts of the economic downturn and increasing demand.

However, contractors and consultants are concerned that clients are too focused on upfront purchase costs. Whilst this attitude may have been understandable over the past four years or so, when investment was suffering, with budgets expected to get a boost, it's time for your clients to focus on value over the product lifecycle.

With almost a quarter feeling clients are risk averse, it's important you lead them to new solutions, without an element of risk. We've already seen that a large proportion aren't using automated mooring and guidance systems at their facility – are you being strong enough in guiding them in the right direction?

Helping clients navigate the obstacles to port performance

The majority of clients are still suffering some degree of unscheduled downtime, and the most frequently cited cause was fender damage. So, let's take fenders as a microcosm for wider port infrastructure to dive in to the issues.

Almost two thirds of owners and operators claim to have upgraded their fender systems in the last five years, whereas contractors and consultants perceive upgrades to take place much more infrequently.

Although some may be upgrading to meet the needs of larger vessel sizes, or as part of wider refurbishment projects, fender systems are intended to have a design life of 25 years, so the fact that so many have upgraded so recently suggests that installed solutions may not be performing as they should be.

What's more, the high incidence of fender damage and the subsequent downtime it causes is seemingly due to a lack of awareness on how to specify a truly quality system.

The market knowledge gap

As the people that port owners and operators turn to for guidance, you need to educate yourself on how to specify quality, in order to intelligently steer them away from cutting costs up front, and make them see the benefits of investing in solutions that guarantee quality over a whole lifecycle.

Again, taking fenders as a microcosm for wider port infrastructure, on the issue of rubber compound composition – which is critical to ensuring product performance and value over a whole product lifetime - it seems there is a lack of knowledge amongst your peers.

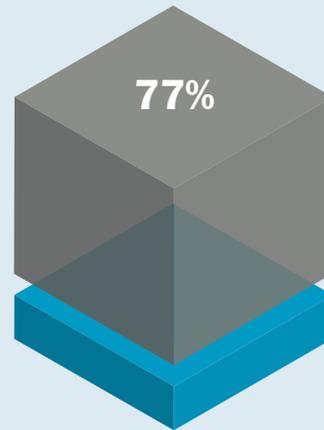
First introduced by PIANC in 2002, Velocity Factor (VF) and Temperature Factor (TF) should be applied to rubber fenders at the testing stage to accurately ascertain performance in the field under different berthing velocities and temperatures.

VF and TF must both be calculated and reported on a case by case basis. Each is dependent on the make-up of the specific rubber compound used in the fender, and as such, there are no “standard” factors that can be applied. With no test currently available, it’s no surprise that so many say it would be useful to have a system to easily test suppliers’ compounds.

To substantiate supplier test results, it’s essential that a Quality Control procedure is carried out both before and after final production.

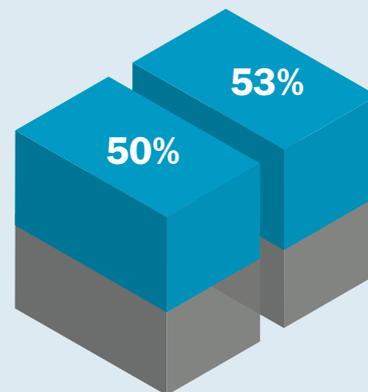
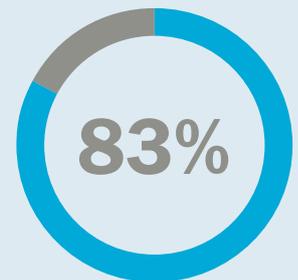
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90% of contractors & consultants trust an OEM over a trader #Barometer

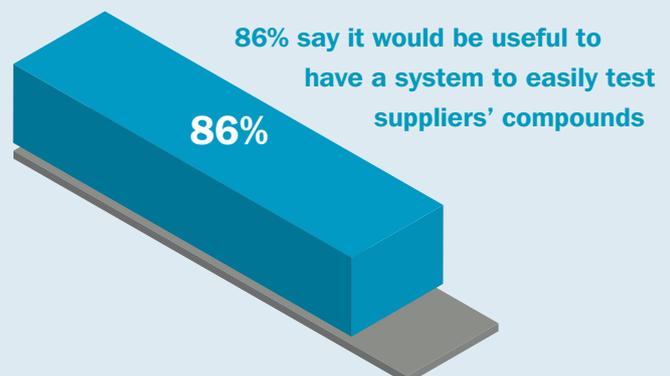


77% admit they don't know the correct ratio of ingredients in a superior rubber compound

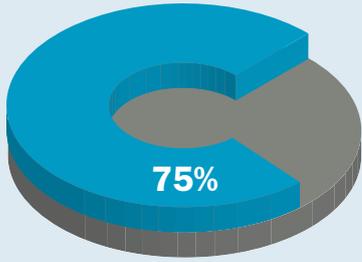
83% don't know the ideal rubber to filler ratio for marine fenders



50% and 53% (respectively) don't know if suppliers apply bespoke Velocity Factor (VF) and Temperature Factor (TF) to their rubber compound formulation

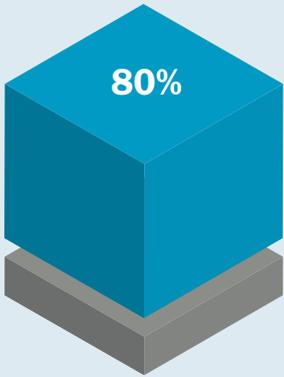
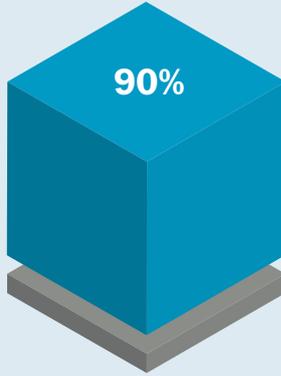


86% say it would be useful to have a system to easily test suppliers' compounds



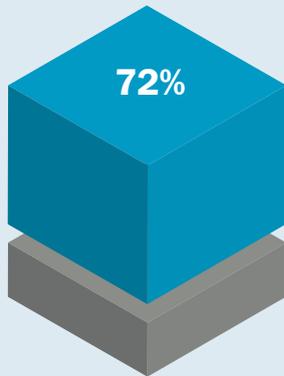
75% of your clients think it's essential or important to have the supplier involved in ongoing maintenance

90% of contractors and consultants would trust an OEM over a trader



80% of port owners and operators would trust an OEM over a trader

72% of contractors and consultants trust in PIANC accreditation



53% said they would also believe the word of the supplier

56% of owners and operators trust the word of the supplier, and exactly the same amount will also request and check PIANC certification



Getting the support you need to support your clients

Whilst you are crying out for support to aid specifications, and critically, ensure they are met, your clients are also crying out for support long after installation is complete. The onus should be firmly on suppliers to provide it.

Maintenance was the area where port owners and operators wanted support the most, but conversely, this is also seen as suppliers' weakest area. Do you evaluate your suppliers on this key component? It's time to evolve your specifications to meet this need: think about the service your clients will receive long after your job is done.

The obstacles to port performance exist on a day to day, operational basis. So you need to ensure you're thinking strategically in order to help clients optimize their operations.

The survey found that owners and operators are more likely to trust traders than you are. Trusting trading houses rather than Original Equipment Manufacturers (OEMs) with the supply of mission critical equipment means running the risk of getting solutions that are not fit for purpose.

Trading houses do not have the ability to design tailored solutions, they're not in control of production and do not have the capabilities to test their products. Simply, trading houses cannot provide the end-to-end service that is a critical component in getting the right, high quality solution.

By dealing with OEMs rather than trading houses, you can ensure your solutions are specifically tailored to the needs of the project you are working on.

Supplier relationships need to get an upgrade. It's time for suppliers to accept responsibility for their products, not just up to installation, but over the entire product lifecycle.

As far back as 2010, the market revealed a willingness to pay for preventative maintenance, but at that time, 60% of contractors and 51% of consultants felt maintenance levels had decreased as a result of budget pressures. 37% of operators agreed.

Conclusion

With an optimistic economic outlook, the time has finally come where your clients should be more receptive to putting whole life value ahead of upfront purchase costs. It's up to you to take advantage of this, and start to ensure that they specify quality.

Historic underinvestment has undoubtedly affected port infrastructure, but as the market continues to strengthen, there's an opportunity arising for ports to get ahead of demand and invest strategically now.

And there's also an opportunity arising for the consultants and contractors that can lead them there. With a boost to the budget sheet, you can guide port owners and operators to more strategic investment decisions.

Suppliers should be engaged at every stage. They should be in touch with consultants to ensure specifications guarantee the highest standard of solutions available, and they should work closely with contractors during supply and installation, to ensure that the high standards set out by the specifications are met.

Most importantly, service should not stop once the product is installed. This is when suppliers really need to make a quantum leap to meet the needs of their clients, offering support in the areas that customers are looking for it, be that maintenance, training or other operational requirements. Make suppliers accountable for optimizing their product performance over its full lifecycle: specify service.



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