

**2008**

# Rice Global Engineering and Construction Forum

DECEMBER 12, 2008

A photograph of an industrial facility, likely a refinery or chemical plant, featuring several tall distillation columns and a complex network of pipes and scaffolding. The scene is set against a clear sky with some distant buildings visible in the background.

## Critical Supply Market

John Townsend

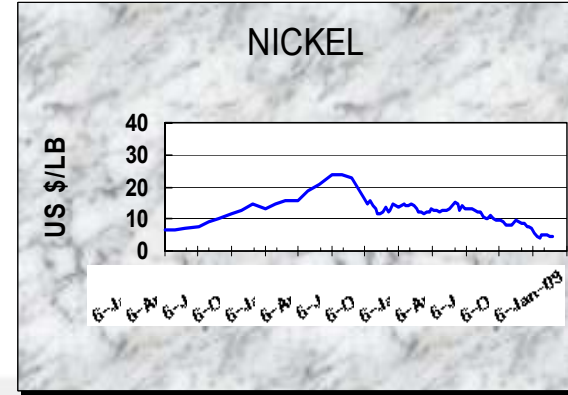
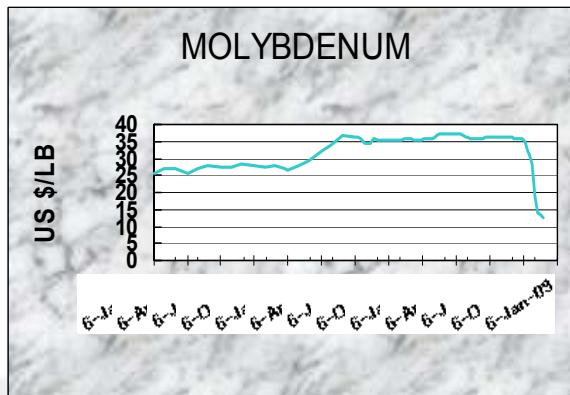
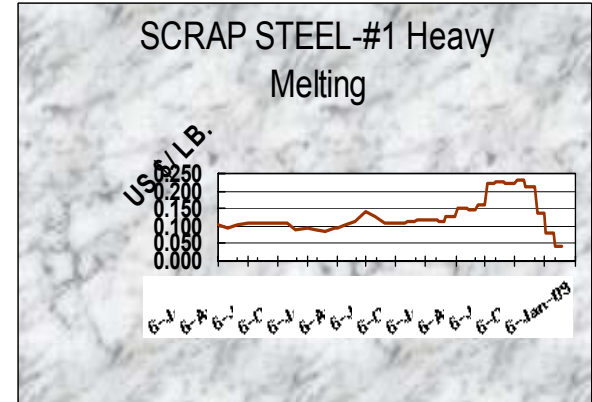
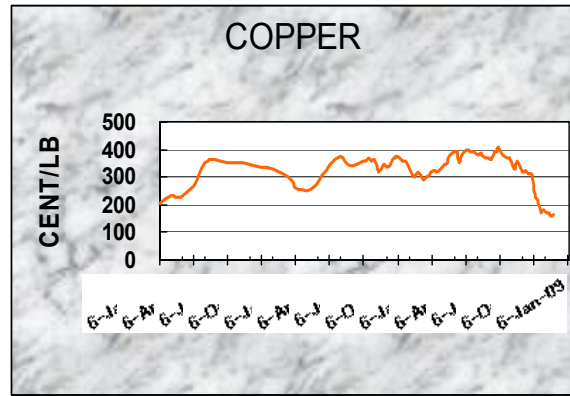
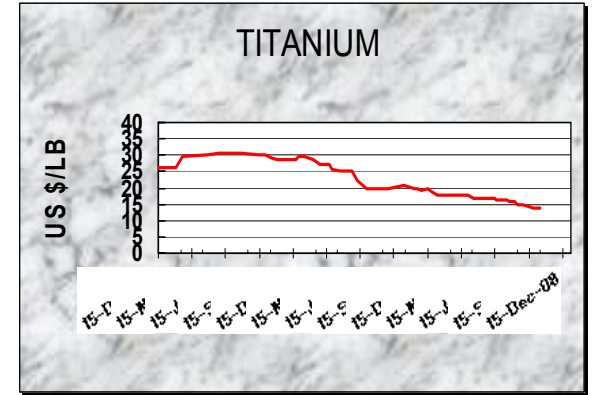
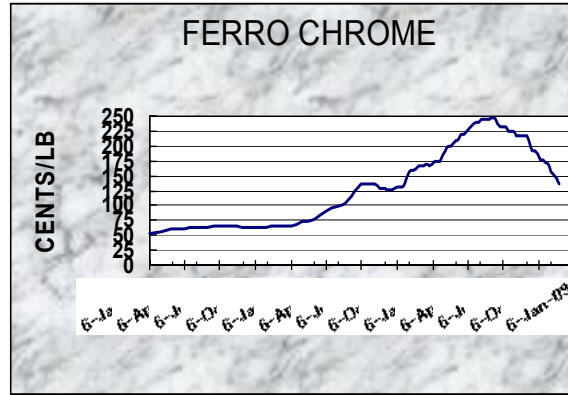
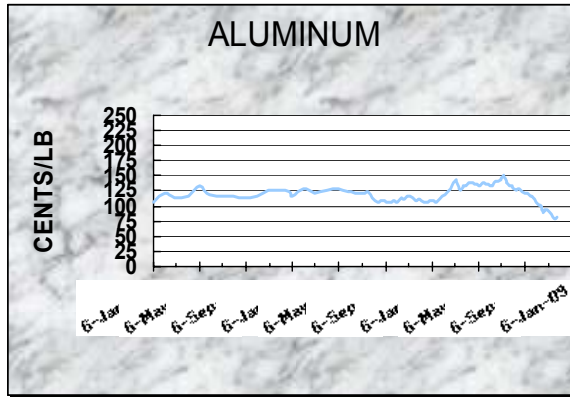
Vice President - Procurement

**KBR**

# Global Supply Issues

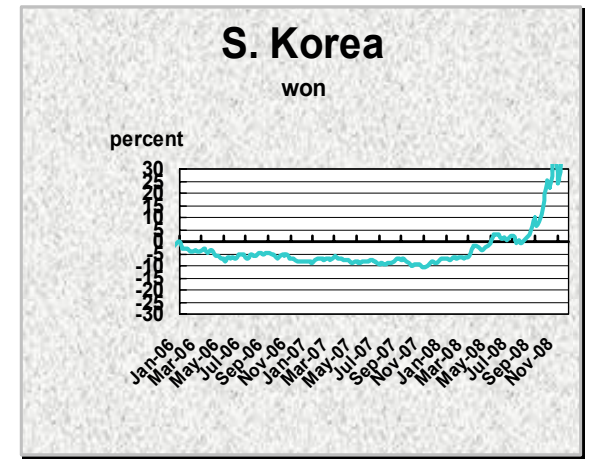
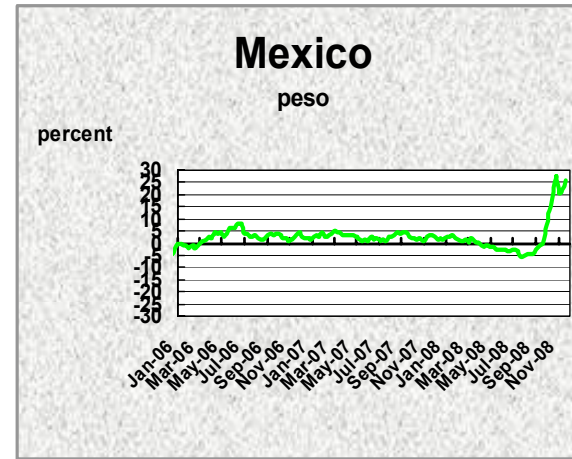
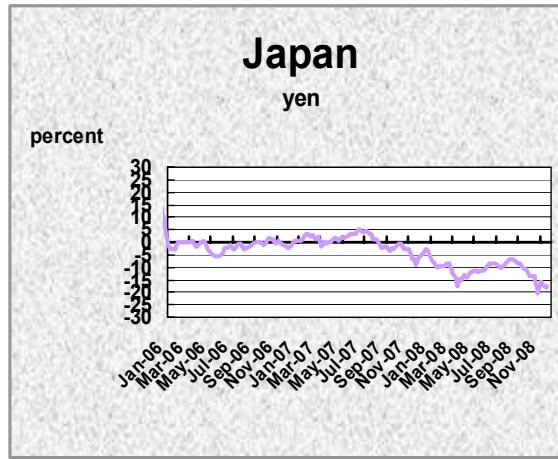
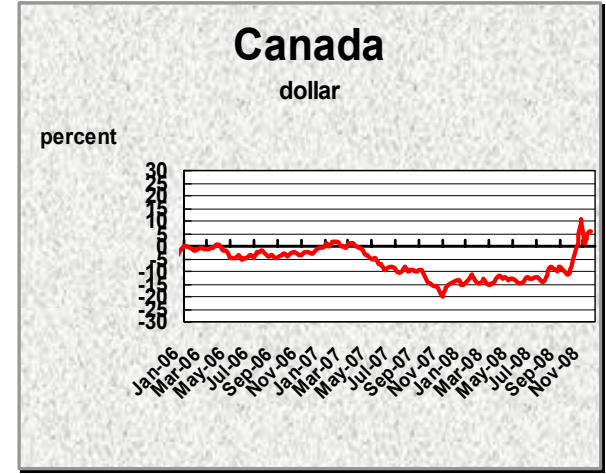
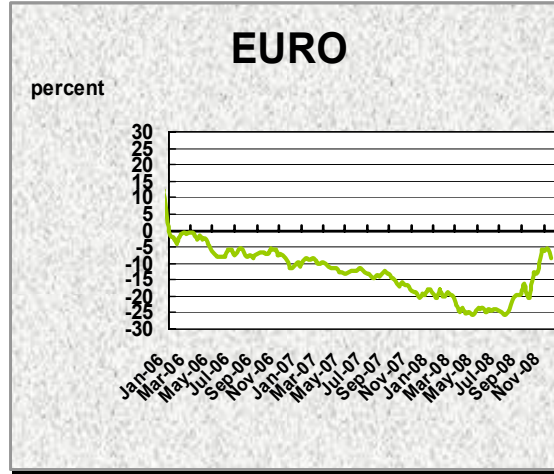
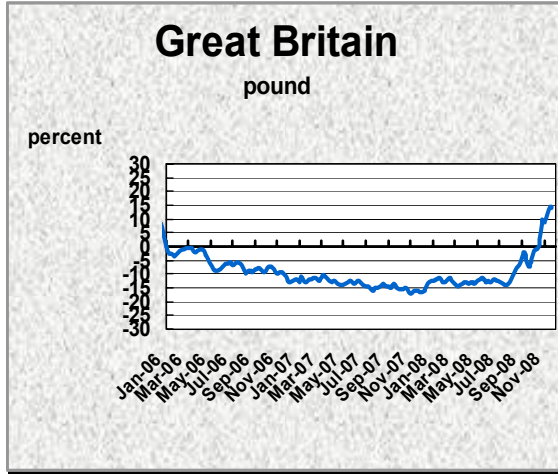


# Non-Ferrous Metals and Scrap Steel Prices

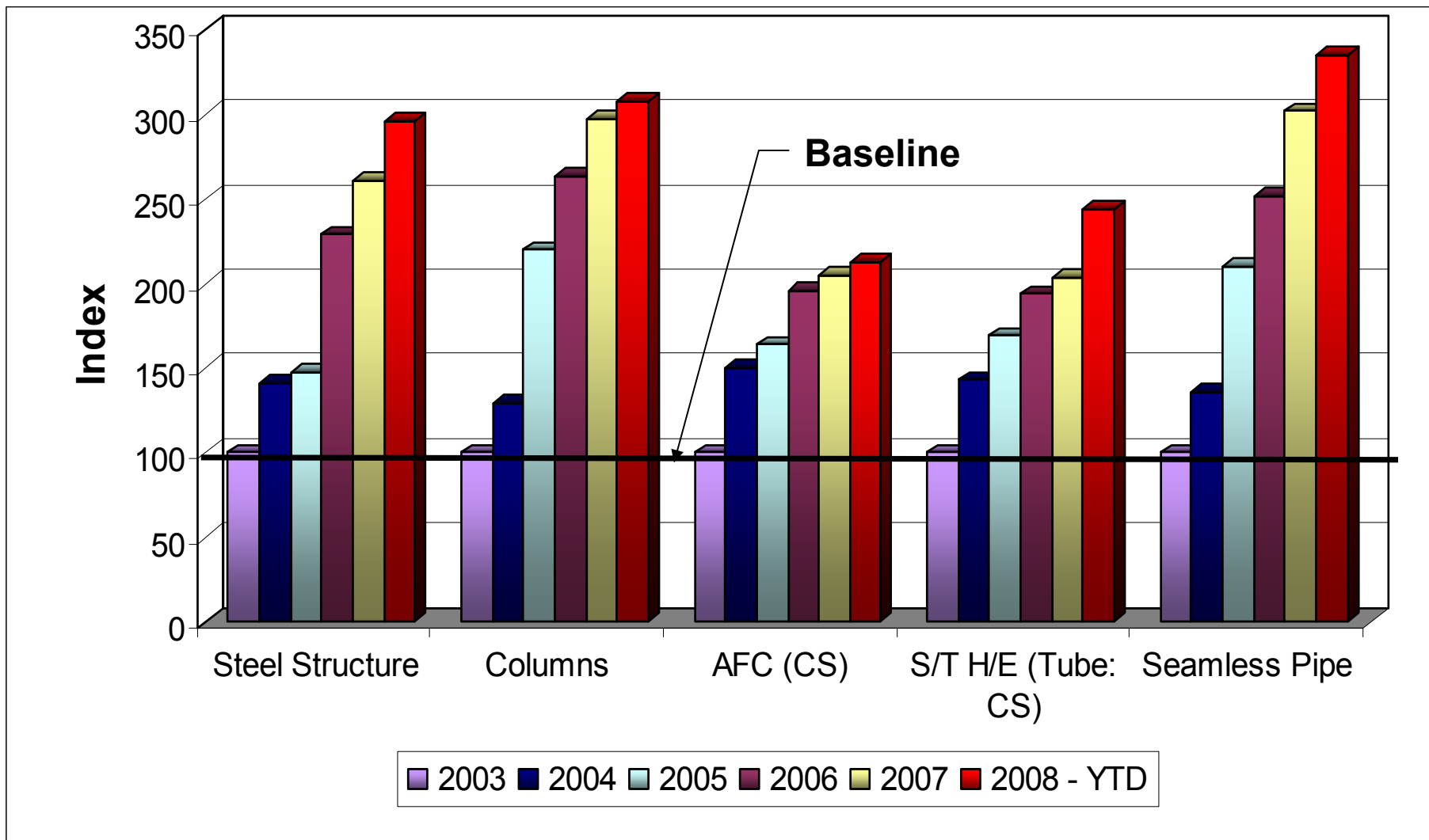


# USD Buying Power vs. Country Currency

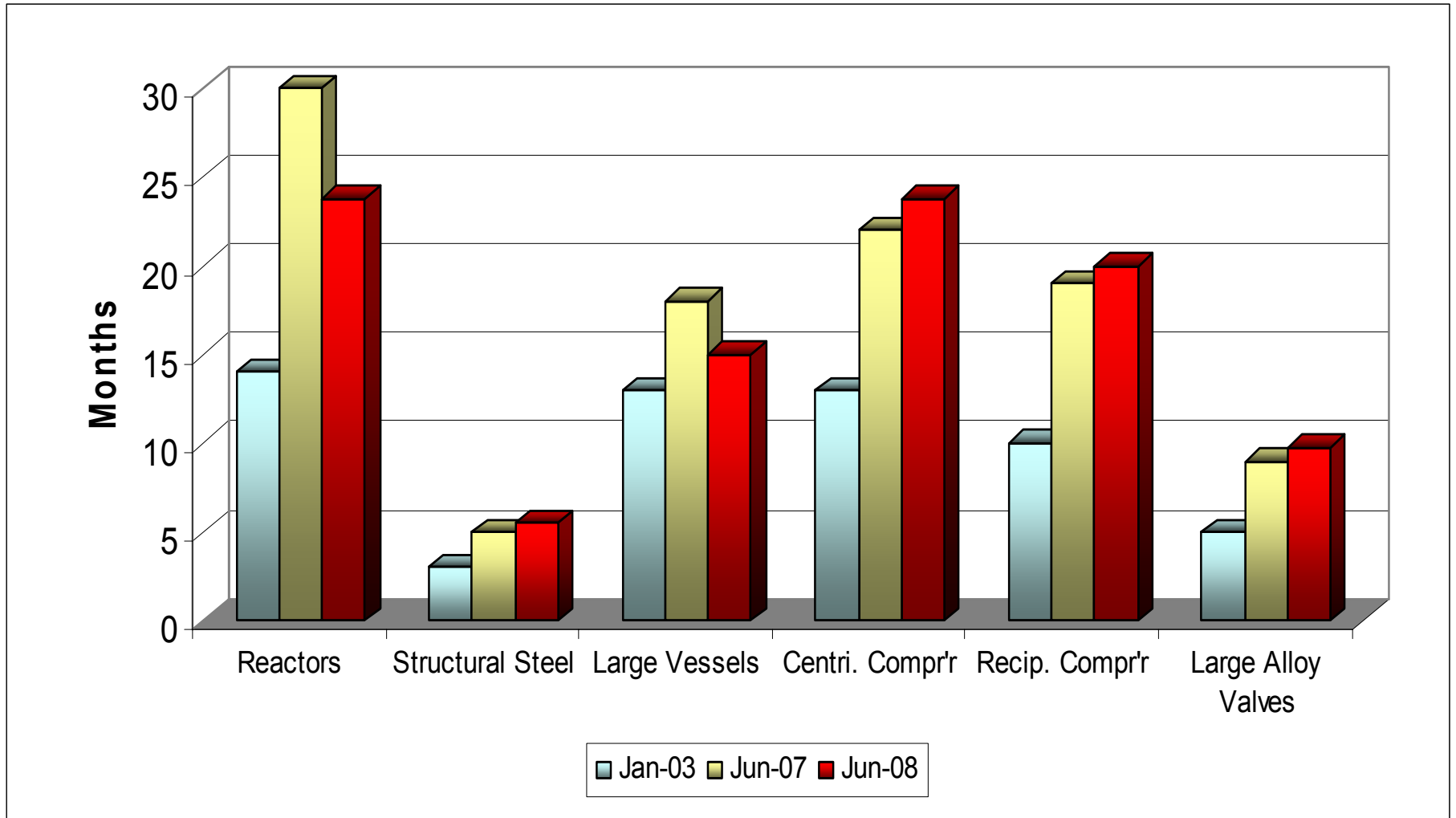
## Since January 2006



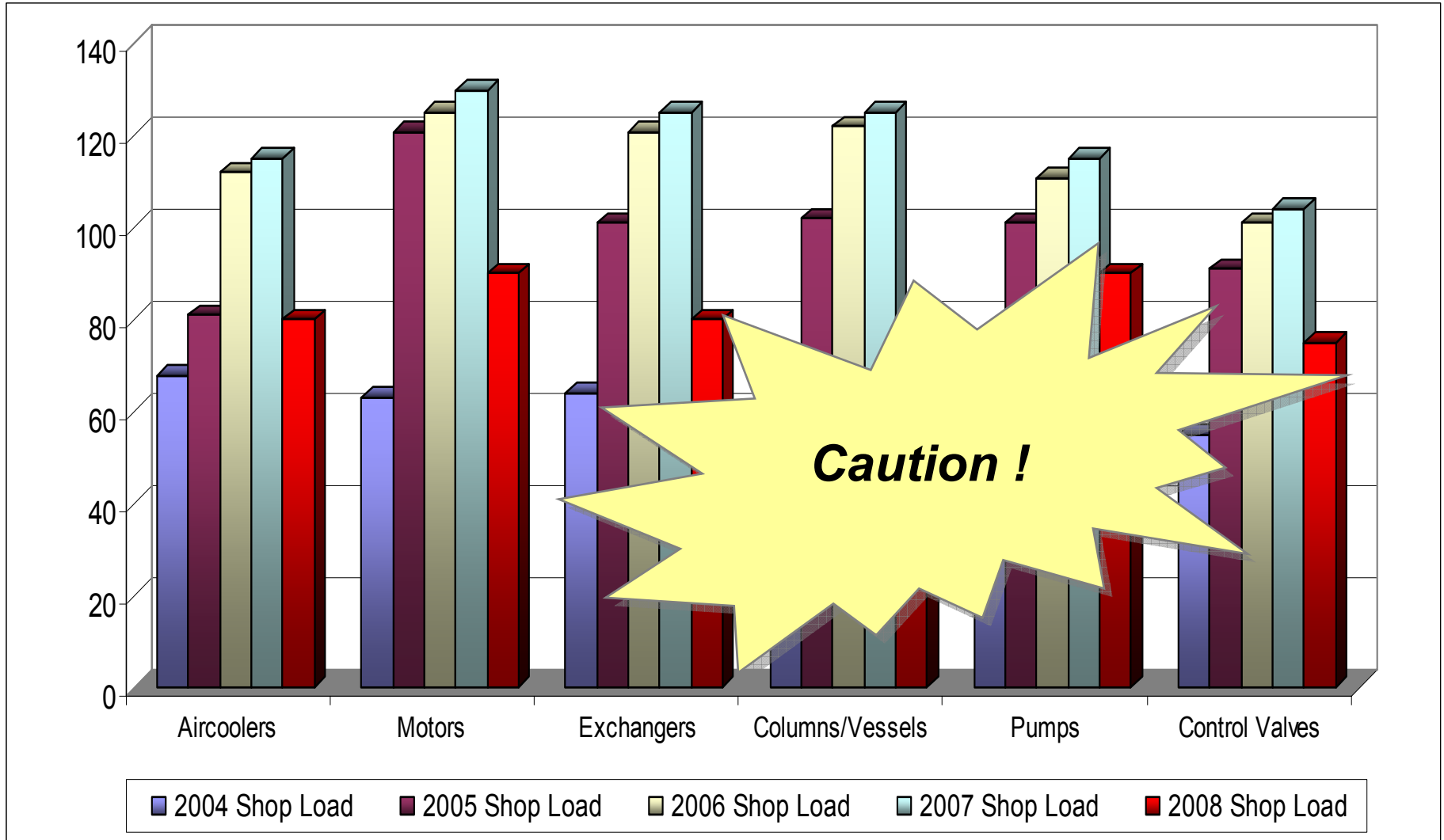
# Trend of Material Prices



# Trend of Delivery Schedule



# Process Equipment Manufacturing Capacity Utilization



# The critical sub contract market

- ◆ Subcontractors working at maximum capacity.
- ◆ Significant resource competition (across industries).
- ◆ Subcontractors selective and inflexible (T&C's).
- ◆ Margin enhancement not lower prices.
- ◆ Critical labour shortages – demographics.
- ◆ Knock on effect of schedule over-runs.





# Summary

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- ◆ Most difficult supply/subcontractor market in 30 years!
- ◆ Possible relief expected short to medium term
- ◆ Monitor exchange rates
- ◆ Commodity pricing
- ◆ Changes in progress payment terms
- ◆ Invest in “Post Award Activity” - EIT (Expediting, Inspection, Traffic)
- ◆ Supplier Relationship, Sub Supplier and Subcontracts Management essential

Thank you very much...

# *Questions?*

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