



Annual Meeting

General Session

April 15, 2005

2004 Business Survey

Annual Survey Concerns

Supply

- **Supply Issues from Manufacturers**
- **Raw Material & Product Shortages**
- **Reliable Lead Times**
- **Manufacturer Supply and Service Level Performance**
- **Consolidation of US Manufacturing Base**

Annual Survey Concerns

Pricing/Margins

- **Price Increases from Manufacturers**
- **Unforeseen Adjustments to Inventory Costs**
- **Controlling Fixed and Variable Costs**
- **Price Erosion**
- **Profit Margin Pressures**
- **Stability of Steel and Raw Material Prices**

Annual Survey Concerns

Utility Related

- **Utility Materials Management, Primary Focus is on First Price**
- **Customer Consolidation Leading to Direct Procurement from Manufacturers**
- **Supply Chain Strategy Changes/Philosophy**
- **Reduced Spending Budgets by Major Utility Customers**

Annual Survey Concerns

Other Issues

- **Managing Growth**
- **Short Term Interest Rates**
- **Foreign Competition**
- **Poor Quality of Non-US Material**
- **Amount of Material Imported from 3rd World Countries and Loss of US Jobs as a Result.**

2004 Review

The Effect of Global Markets on The Electric Utility Supply Channel

Global Market

Steel

- **World Steel Consumption is at an all Time High**
- **US and China Account for 40% of the Worlds Steel Consumption**
- **China is the Largest Producer, Consumer, and Importer of Steel**
- **China's Demand for Steel is Predicated to Double in the Next Few Years**
- **Steel Prices Have Doubled in the Past Year**

Global Market

Steel Prices

What is the Driving cause for the Price Change?

- 1. Global demand**
- 2. Consolidation of mills in the domestic market**
- 3. Raw material shortage**
- 4. Allocation**
- 5. Strength of the dollar**
- 6. USA is a demand action economy, China speculates on steel**
- 7. The stabilizing effect that has kept steel pricing stable in the past is gone. USA no longer drives the price**

Global Market

Foreign Competition

- **China and India are Taking Center Stage on Economical Growth**
- **25% of the World Population is in These Two Countries.**
- **Since 1980 China's Economy has Been Doubling Every 6-7 years.**
- **China Will Keep the Center Stage on Global Demand for the Next Few Years**

Global Market

Foreign Competition

- **India is Just Starting to Wake Up and is Predicated to Become the Next China**
- **China's and India's Economic Growth is Driving Demand for Raw Materials**
- **Foreign Based Companies See the Growth Potential in US Markets**
- **What Will be the Position of Electric Utilities on Approving the Usage of Foreign Based Products?**
- **In the Past, the US Drove Global Markets. Today We No Longer Drive the Market or Price.**

2004 Review Consultants

**Consultants Continue to Play a Key
Role in the Development of Utilities
Supply Chain Strategies**

What Role Does NAAUD Play in Shaping Tomorrow's Supply Chain?