

# 2008 Annual Meeting Council of Industrial Boiler Owners

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***The way I see it...***

**Randy Rawson, President/CEO  
American Boiler Manufacturers Association**

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*The way I see it...*

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- ***“The bottom line is that recent actions by the Treasury and the Federal Reserve Board increase the odds that the waning months of 2008 won’t live up to our forecasted expectations, and that our forecast of recession for 2009 looks more and more like a sure thing. We continue to be downbeat about 2010.”***

-- The Institute for Trend Research’s (ITR) Alan Beaulieu – ABMA’s resident economist/forecaster, September 19, 2008.

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*The way I see it...*

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- ***“I think there is a light at the end of the tunnel; I just don’t know how long the tunnel is.”***

***-- Annette Sykora, Chair, National Auto Dealers Association***

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*The way I see it...*

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- ABMA members are here to work with our customers to bring as much order as possible to an otherwise disorderly outlook.

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Members of the  
American Boiler Manufacturers Association  
are what they are.

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ABMA members sell.

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We sell to customers like you.

That's my members' primary mission –  
whether it's products, equipment, systems  
or services ... new or aftermarket.

We sell.

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State-of-the-art technology.

Efficient, durable, environmentally-compliant,  
reliable, cost-effective.



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We work with folks like you to achieve realistic goals, meet needs, and comply with the myriad codes and rules by which we both have to live and still make money.

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Market Place Fact:

My members are not going to sell if there is  
no one to sell to.

*Your welfare is important to us....*

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ABMA does not support legislative or regulatory decisions or actions that irresponsibly disadvantage our customers.

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- Bob Bessette: “What keeps ABMA members up at night...?”

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- What we worry about ...
  - ... are the same things your companies worry about ...
  - ... plus some new pressures and unknowns added in the last few weeks.

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## *The way I see it...*

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- Today's economic slump / financial meltdown...
  - ... has reset the stage for most of us;
  - ... poses a significant, ongoing long-term threat to economic growth and prosperity in American industry;
    - impact varies from sector to sector
  - ...complicates and exacerbates the ambiguity with which we live and do business.

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- Our biggest worry:

**UNPARALLELED, PERVASIVE AND  
UNRELENTING UNCERTAINTY AT  
EVERY LEVEL!**

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*The way I see it...*

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- Political indecision/partisanship;
- Laissez-faire mind-sets;
- Greed;
- Bad business practices;
- Inadequate, asleep-at-the-switch oversight...
- Regulatory Balkanization... (GHG, Boiler MACT)



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- ... have all spawned the greatest period of economic/financial, social, political, geopolitical, and regulatory uncertainty in many of our lifetimes.

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## *The way I see it...*

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### ■ Trouble/truth is:

- ...there is no one – expert or gadfly – that can tell either of us – customer or vendor – with anywhere near the necessary precision or reliability what we need to know, what we need to do or for what we need to be prepared to adequately support the types of capital expenditures that are likely to be required over the next few decades.
- They can “speculate” and “hope for” or analyze “existing” or “past” proposals, but no one can give us the kind of “gold-standard” advice with which we would all be more comfortable.

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## *The way I see it...*

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- What keeps us up at night?
  - How to counsel our customers on how to reach uncertain and shifting regulatory goals.
  - Complexity in our own industrial planning...
    - ...to maintain plant capacity...
    - ...to have in place a responsive and experienced workforce...
    - ...to have ready access to necessary, well-priced raw materials...
    - ...to manage increasing construction/installation lead times & increased costs...
  - How to close the sale in a new era of no more fixed-price contracts!

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## *The way I see it...*

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- What keeps us up at night?
  - How to respond to outside influences over which we have no control:
    - Tight credit – an economy without credit is like an engine without oil;
    - Shrinking municipal, state and federal budgets to carry out commercial/industrial, energy/environmental construction goals;
    - Out-of-sync renewable tax credits;
    - Dilapidated infrastructure that adds to cost and delay – trucking, rails, bridges, the electricity grid.
    - The impact of tanking consumer-confidence on our customers' revenues and abilities to plan and implement.
    - Raw materials & energy volatility.
    - Energy workforce shortages & dislocations.

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## *The way I see it...*

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### ■ What keeps us up at night?

- Demands for high-cost solutions providing only incremental benefits.
- Lack of long-term energy/environmental policies that provide stability and a predictable basis for growth.
- Pie-in-sky, fad-based energy & environmental goals having little chance of attainment – particularly in an age of economic panic.
- Contradictory legislative & regulatory mandates that retard decision-making or set off unintended consequences.

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- What keeps us up at night?
  - Imprecision in project definition;
  - High expectations from low-cost answers;
  - Ongoing customer doubt about “reality” of project component costs.

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## *The way I see it...*

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- Bob and I work hard to keep our respective crystal balls polished, but reliable answers are hard, if not impossible, to come by.
  - New Administration – Job One: debt management – campaign pledges off the table.
  - Difficulty/impossibility in translating local/regional goals into economically-viable actions.
  - Explosive litigation on both sides.
  - Lack of will to inflict higher energy costs during a time of economic and financial uncertainty.
    - Prosperity has always been the key to environmental action.

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*The way I see it...*

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- So, where does that leave you and I, the customer and the vendor?



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*The way I see it...*

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## ■ Right where we are today ...

- searching for stable, long-term answers (that won't materialize any time soon; while
- being progressively pummeled by and trying to manage increased energy costs, louder demands for greater productivity and profitability, and more environmental awareness.

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- Looking for the answer to the customer's question – to meet government environmental regulation, for efficiency, for productivity:
  - Then what DO I do; what DO I buy; what is the right move for my business?

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### ■ The boiler/burner industry:

- If there is not a perceptible improvement in the economy, the financial community, and in consumer confidence, we expect “elective” purchases will slow dramatically or disappear altogether.
  - The good news: there is capital out there; just hard to shake loose. We will still sell over the intervening months, e.g. oil sands/renewables markets.
- Non-elective business – outages, the aftermarket, mandatory up-grades, lower-emissions, low-cost improvements in productivity and efficiency – will keep the boiler and combustion equipment industry moving forward at a reduced but steady pace.

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## *The way I see it...*

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- I can only encourage you – as I did the last time I was with you – when you do make your move to up-grade, optimize or replace:
  - you buy the very best, state-of-the-art technology you can find that not only meets today's energy & financial requirements; but that also...
  - is something on which you can build in response to future business, legislative and regulatory exigencies.
- Work with your energy team – internally & externally -- to arrive at answers that are good for your situation short-term & long-term.

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- Short of continued project deferrals ... it's the only logical approach, given the knowledge base we currently have.

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- The “price” of project deferrals?
  - Increased customer costs as unresolved issues grow in intensity and complexity.
  - Boiler Industry capacity to quickly meet new customer demands becomes a growing issue as my industry adjusts to new economic realities.

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## ■ ABMA members will continue:

- to do the right things for the right reasons for our customers and your companies;
  - to engage in on-going communication with all our customers to gain a thorough understanding of their financial and operational expectations;
- to encourage the application good business practices and rational risk-management.
- No over-reaching; no false-promises.

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*You're invited ...*

ABMA 2009 Boiler & Combustion Equipment  
Technology Conference

**April 21-22, 2009 – Columbus, OH**

National Board of Boiler & Pressure Vessel Inspectors  
Training & Conference Center  
Columbus, Ohio

***“Understanding Biomass Boiler &  
Combustion Technology”***