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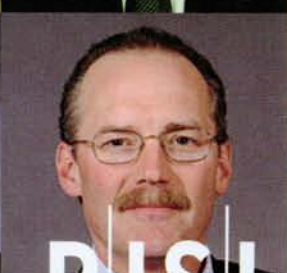
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THE RISI POWER LIST

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people in the global industry



By GRAEME RODDEN, Executive Editor

Roger Bailey, head of ABB's global pulp and paper business, sees the service end of the business continuing to grow with the emphasis on emerging nations

SERVICE IS THE CORE

For a company whose own future hung in the balance not so long ago, ABB has been able to take the tough knocks of the economic crunch in stride

Although the severity of the current recession cannot be understated, and it has had an effect on ABB, the tumultuous events of 2001-2002 that put ABB in peril have helped the company meet this global financial crisis.

PPI recently sat down with Roger Bailey, group vice president, pulp and paper industries, at ABB's Power & Automation World in Orlando, FL. Bailey heads ABB's global pulp and paper business as well as serving as head of ABB's North American process automation business. Looking back, Bailey says what happened in 2001-02 helps ABB today. Then, it was a question of survival for ABB, not just how it would weather the storm. "We were there before in a more critical time," Bailey explains, "so we can see what we need to do and perhaps what to avoid doing."

In a press briefing held during the conference, ABB released sales figures for 2008 that reached around \$35 billion, the strongest year ever for the company. Pulp and paper related sales were less than 5% of the company's

total. "We are happy with what we did in pulp and paper, but," Bailey adds, "we reflect the industry we serve, so maybe we did not do as well as some other ABB sectors."

As a whole, the company also enjoys a \$24 billion backlog of orders, of which 60% will be converted in 2009, most of it in power products. Although revenue is rising, orders are softening, so the company is undertaking a \$1.3 billion cost reduction program to stay competitive.

ABB sees the 2009-10 market outlook as being uncertain but the backlog gives it a buffer going into next year. Long-term, the company is optimistic.

In an area that should help the company's pulp and paper efforts, service revenues are increasing relative to total revenues and the company sees this trend continuing. A strategy is in place to grow this part of the business.

BEING ABLE TO RESPOND QUICKLY

ABB states that the company's priority in 2009 is to ensure it has the "flexibility to respond quickly to changing markets conditions. How can this be accomplished? Bailey says that the company is lucky enough to be in a kind of "luxury situation because of its high order backlog and large cash resources. "We can sit back, perhaps, and see what opportunities can arise out of this situation. Our strategy is to have service as the base."

Recently, some markets have shown an upswing. Some economists believe that the end of 2009 will see better days. Bailey says that from a pulp and paper perspective, "We're hopeful that the third and fourth quarters will improve, but we're probably more skeptical and think that 2009 will be a tough year."

If the downturn is more protracted and extends beyond 2009, what are ABB's plans? Bailey stresses the service aspect of the company's pulp and paper business. "Our business is unique for pulp and paper as 70% of it comes from service or upgrades to our existing installed base. Less than 30% is from the greenfield market. Service and upgrades remain strong even in a down economy. We even see opportunities to increase our service component.

"The question then becomes what of the other 30%. What do we do? How do we optimally structure that 30%? The luxury we enjoy is that we have the 70% (that's growing)."

BEING THERE

Although figures show that even spending in emerging markets has fallen, Bailey says that his division has been

focused on emerging markets for a long time. China is the biggest "delivery arm" for ABB's pulp and paper business. "Southeastern Asia is now as big a market for us as the US. Brazil is growing as well, but not as fast as Asia."

Still, Bailey sees a need to increase ABB's pulp and paper footprint in the region. "We need to move more capability there, where the business is." Already, ABB can produce motors, drives and circuit boards in China, but Bailey sees the need to do more.

Again, he harks back to the service aspect. "One of the big opportunities for us in emerging markets is with service. The growth thus far has mostly been Greenfield so there is a huge opportunity to optimize these new assets over the long-term. For us to maintain our status as the leading automation supplier in pulp and paper, then we need to ramp up the service end, specifically in Asia."

Bailey says there are currently about 50 service engineers in China (compared with 250 in the US). "We are focused on building our service and upgrade market in the installed base."

Turning to North America, Bailey says the "hottest" item is energy. "This is a big opportunity for us: energy and cost savings." However, Bailey adds, any projects that ABB proposes must show a high return for a producer to approve.

Another challenge/opportunity for ABB's pulp and paper business in North America is service, particularly remote servicing. "There is big focus on R&D," Bailey says. "Remote for us ranges from being able to see and diagnose a problem to being able to analyze data and predict problems or optimize a process."

Bailey notes that some of its installed base scanning platforms in mills are upwards of 25 years old and can still be serviced and upgraded.

He says it's not that difficult convincing mill personnel of the need to spend to improve. "But, getting the capital and finding the project that fits the capital available is the challenge. That's why energy is big today. There is a quick return."

ENERGY ABOVE ALL

Bailey maintains the energy theme when talking about any new product development. This comes from customer dictates as well as from within. "There is a big push in the role our products can play in energy conservation, from variable speed drives to the use of QCS moisture actuators to help reduce steam usage in the dryer."

There is another rapidly developing issue that ABB is studying with great interest. "Biofuels could be a huge opportunity for us and we are looking at what we can do.

It's being looked at by ABB as a whole, not just the pulp and paper business."

Bailey expects 2009 to be a good year for ABB's pulp and paper business in terms of the new products that will be introduced. This is backed up by pulp and paper-related R&D spending of \$12-14 million, much of it devoted to its control system platform.

New products for 2009 include a web inspection system, multi-variable CD control (*PPI*, March 2009, p.39) and a groundbreaking new optical caliper sensor (*PPI*, June 2009, p. 15).

Bailey adds that a fiber orientation system for board grades has "great energy saving" potential. "We can do CD control of weight, moisture and fiber orientation."

Capital is also being spent on service, or "closing the knowledge gap" as Bailey puts it. "We are making a novice engineer as good as someone with 20 years' experience. This is the type of service package that needs to be developed."

To complement this, ABB is introducing new optimization tools that will be part of the service package. As noted, service and upgrades account for 70% of ABB's pulp and paper business. "Various regions have developed service best practices," Bailey explains. "We want to take these 'best practices' and package them. In service, it's not the number of people but how can we train the new engineers quickly to bring them up to speed."

In 2008, as a whole, ABB spent \$650 million on acquisitions. Bailey notes that this is a global business and any acquisitions will need to complement the company's existing businesses. "I don't see a lot of growth in volume over 2008 except for some large service contracts."

NEVER STRONGER

More important is ongoing customer service. "Some years ago, ABB made the dramatic change from a manufacturing-based company to becoming a customer-oriented company. That is our long-term strategy. It has resulted in quicker response to customer needs. We are closer to our customers."

Being in a recession does not mean circling the wagons and waiting out the crisis. "Pulp and paper is still a core business in ABB," Bailey adds. "Our position in the pulp and paper industry has never been stronger." **PPI**



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