

Response to Solicitation of Views on the Impact of Slow Steaming

Becton, Dickinson and Company
1 Becton Drive
Franklin Lakes, NJ 07417

April 4, 2011

1. What do you see as the advantages and disadvantages of slow steaming?

Adv: Slow steaming translate to reduced Bunker/Fuel charges for BD

DisAdv: Increased transit time

2. How has slow steaming of ocean liner services impacted your overall business costs? How significant are those costs? What measures, if any, has your company taken to mitigate any negative cost impact on your business arising from slow steaming?

Increased Inventory Carrying Costs - Significantly.

Mitigation - Adjusting system lead times (APO) to account for increased transit time / Carrying increased inventory.

3. Has your company benefited from the fuel cost savings that slow steaming makes possible by obtaining, for example, lower freight rates or bunker adjustment surcharges? If so, identify those benefits and explain how significant they are.

I don't think so.

Fuel has been steadily increasing, difficult to correlate to slow steaming.

4. Describe how, and to what extent, the slow steaming of ocean liner services has impacted your company's supply chain, space availability, and container availability.

Decreased container availability (more containers on the water) - compounded by global container shortage this past year.

Has improved recently.

5. Are different services, i.e., slow steaming vs. normal steaming, available to your company from different ocean carriers over the same trade lane? Alternately, do any individual ocean carriers offer your company different transit times over the same trade lane with varying rates or other service features?

No. There isn't a choice between slow/normal w/in a trade lane. I'd like to see more

"Bullet"/Fast services offered.

6. In the past year or so, have ocean transit times lengthened between the major port-pairs used in your company's ocean shipping operations on account of the slow steaming of services? If so, how much longer have those transit times become and between which port pairs?

Yes - 2-5 days

7. Do ocean transit times vary significantly among the different services that link the major port-pairs used in your company's ocean shipping operations? When arranging shipments, what role do differences in transit time play in your carrier or service selection process?

Yes, depending upon the trade lane.

Transit time is a key determining factor to carrier selection.

8. If you have service contracts with ocean carriers, were transit times or slow steaming provisions included in those contracts? Was slow steaming consistent with your governing service contract provisions?

No - I don't think so, but I'll defer to Procurement - it may be in the works.

Operationally for Ocean, I haven't referenced a contracted transit time, when a carrier delivers late.

9. As a U.S. exporter, has the slow steaming of ocean liner services in the U.S. trades put your company at a competitive disadvantage in overseas markets? If so, please explain.

I don't think so.

10. Identify and describe what benefits your company has derived from slow steaming (e.g., more reliable and predictable sailing schedules, a more stable supply chain, etc.).

Sustainability - BD Global Sustainability goal is to reduce Energy Consumption by 30% from baseline 2008 year.

Slow steaming is a key component of ocean transit - that gets us to that goal.

11. Do you believe slow steaming is sustainable over the long-run? Please explain why or why not.

Yes - Ocean Carriers have incentive to market green initiatives and it saves them money.

12. Do ocean carriers provide you with information on fuel, cost, or emissions savings that allow you to calculate and consider the benefits of slow steaming in choosing among transportation options?

APL has offered this information.

OOCL has said they cannot offer this information (Even though their website/marketing says they can).

GLP's (DHL/Expeditors/KN) are more equipped to perform these calculations and have offered this to BD.

13. Discuss whether your company uses slow steaming services to help reduce its carbon footprint on the goods it sells? If so, how substantial are these reductions? How do you measure or quantify these reductions? What type or form of information would better assist you in making choices that reduce your carbon footprint?

Yes - BD is working on it.

We have not quantified it yet.

Additional response;

My personal view: Generally slow steaming increased transit time & caused increase of inventory on water. To my knowledge, forwarders & carriers did not offered us choices between normal & slow steaming. They don't even keep us informed that slow steaming will be deployed until we asked. From cost perspective, its difficult to tell if we have benefited from this practice as carriers & forwarders do not provide information on savings & benefits.

Although slow steaming is environmentally friendly, we do need normal steaming as an option in the long run. This will offer us more choices and a good alternative over air mode. i.e. slow steaming should continue as an option as long as its benefits are clearly stated, delivered & there is sufficient supply of equipment / containers.