



Pricing Briefing to the International Chamber of Shipping

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Introduction and Scope

Following a meeting between Andrew Sukawaty, Chairman of Inmarsat Global Ltd, Frank J Coles, President of Inmarsat Maritime, and the International Chamber of Shipping (ICS), Inmarsat Maritime has created this document to act as briefing material to ICS members and affiliated organisations.

The scope is split into two key sections:

Pricing Changes and Strategy, this will be based around the changes made to our Existing and Evolved (E&E) pricing and on the various FleetBroadband pricing plans. The discussion will be based around an average retail price point.

Commercial Value of Inmarsat Maritime services, examples of how our services are being deployed to support the efficient running of a vessel and the 5 key strengths of Inmarsat Maritime.

This document is presented to the International Chamber of Shipping for distribution to its members and affiliate organisations.

1. Pricing Changes and Strategy

There were many drivers for making the changes to our wholesale maritime pricing, before discussing these reasons we would first like to clarify the actual changes made.

1.1 Evolution of Inmarsat Maritime Pricing

Our Existing and Evolved (E&E) services are our oldest group of services, they are provided over our I-2 and I-3 satellites. E&E covers Inm-B, Inm-C, Mini-M and Fleet 33, 55 and 77. FleetBroadband is our new IP based service on our I-4 satellites. The following table represents a timeline demonstrating the changes made to these services since their inception.

| 1991 | | 2002 | 2009 | 2011 | 2012 |
|----------------------------|----------------------|----------------------------|---------------------------------------|--------------------------------------|--------------------------|
| E&E Service Launch (Inm-C) | No Pricing Increases | Fleet (E&E) Service Launch | Minimum Billing Increments Introduced | Volume Discount Scheme (VDS) Removed | Pricing Changes Launched |

Following the launch of Inm-C in 1991 Inmarsat did not raise its prices, Inm-B was launched in 1993 and new pricing was introduced to cover new services available over this system. The first pricing increase in 18 years was made in 2009. This is when we added minimum billing increments; this is a common practice in all forms of telecommunications but effectively represented a small increase to some customers when their usage was rounded up.

1.2 E&E Migration Plan

The E&E network incurs a certain cost for its operation and maintenance, since the launch of E&E services Inmarsat Global has invested over \$3Billion USD in our network infrastructure and satellites. In addition to managing the satellite constellation, we are also required to maintain Service Level Agreements (SLAs) for the Global Maritime Distress and Safety System (GMDSS) over this network.

At the same time the number of ships using E&E services is declining. Customers migrate to the new FleetBroadband service to take advantage of the significantly lower rates for FB voice and data. We have also announced the end-of-life for a number of the E&E services.

Inmarsat wishes to actively encourage migration from E&E to FleetBroadband. As customers migrate, and the cost of running the network stays constant, we effectively see an increased cost per ship. This led us to re-evaluate the sales incentives for the E&E network to our distribution channel.

When E&E was our primary offering we used a Volume Discount Scheme (VDS) to incentivise the Land Earth Station Operators (LESOs). The VDS rewarded the LESOs for the amount of E&E business they delivered to Inmarsat; the more business, the cheaper the rates. However, it no longer made sense to support an incentive designed to maintain and grow traffic on the now aging E&E constellation.

The VDS was terminated over a 3 year period with 2 years notice given to our affected distributors. At the same time we introduced the new Maritime Incentive Scheme (MIS). The MIS rewards our distributors for the migration of traffic to the new FB service. In addition, the VDS removal did not result in a price increase for most distributors and users in the first 2 years of its implementation but this year some distributors chose to increase prices with the removal of VDS. This was not done by most distributors and most customers did not have a price increase.

The process of end-of-life for existing technology is necessary for a business to move forward. We believe that we have introduced a more modern, efficient and cost effective service to our customer base, and that we are handling the end-of-life of our older technology in a fair manner, giving more than 5 years notice, following normal business practices.

1.3 The Cost of 50MB of Data

Our analysis has shown that an average customer on our E&E services is likely to use around 50MB of data a month. This is pure operational traffic and does not include any crew applications or vessel efficiency operations.

The following table represents the savings possible if business is migrated from Inm-B to one of our FleetBroadband plans.

| Service | Rate | Cost | Implied \$/MB |
|---------------|---|--------|---------------|
| F77 (2005) | \$4.07/Mb | \$1628 | \$32.56 |
| Inm-B | \$1.43/min (9.6kbps) | \$992 | \$19.84 |
| Fleet MPDS | \$2.08/Mb | \$832 | \$16.64 |
| Inm-B | \$5.80/min (HSD) | \$620 | \$12.40 |
| Standard Plan | 10MB @ \$13/MB ¹ 40MB @ \$10/MB | \$530 | \$10.60 |

1.4 FleetBroadband Pricing Options

The Inmarsat Maritime strategy relating to our FleetBroadband pricing is to target the entire shipping community with plans suitable for all vessels from leisure craft through to FPSO vessels. These vessels have differing requirements and as such we have built the plans to serve seasonal demand, small volumes of data through to high volume managed services².

It is important to note that the only price increase on FleetBroadband was to our Standard Plan. This aligns with the industry standard of charging a premium for Pay As You Go (PAYG) services.

| Type | Rate Plan | Allowance | Subscription (Monthly) | Implied \$/MB |
|----------------------|----------------------------|-----------|------------------------|---------------|
| Low Allowance | Small Vessel Plan | 5MB | \$80 | \$16 |
| | Standard Plan | 10MB | \$130 | \$13 |
| | 200MB Plan | 200MB | \$840 | \$4.20 |
| Mid Allowance | 500MB Plan | 500MB | \$1105 | \$2.21 |
| | 1GB Plan | 1GB | \$1495 | \$1.46 |
| High Allowance | 3GB Plan | 3GB | \$2015 | \$0.66 |
| | 5GB Plan | 5GB | \$2470 | \$0.48 |
| Very Large Allowance | 10GB VLA Plan ³ | 10GB | \$2520 | \$0.25 |
| | 15GB VLA Plan ⁵ | 15GB | \$3240 | \$0.21 |

The plans show that the more a customer commits to in terms of MB usage the lower the rate. The intention here is to support customers who wish to climb the pricing ladder and commit to more data for crew welfare and vessel efficiency operations. To support this strategy all plans in the Mid, High and Very Large category were actually reduced in price in May 2012.

¹ \$13/MB equates to \$130 subscription with 10MB allowance. Remainder is out of bundle rate.

² We also have the ability to provide VSAT services through XpressLink (XL).

³ Very Large Allowance – a managed service with associated Fair Use Policy.

2. Commercial Value

This part of the document is intended to demonstrate the types of applications and usage that can be achieved through the FleetBroadband service and how they can add value to the ship owner or fleet manager.

2.1 The Value of FleetBroadband

FleetBroadband has a value purely in its ability to provide robust connectivity on a global scale; if the requirement is only for simple voice and e-mail we have the Standard Plan. Even at this rate the cost of roaming data on a cellular telephone is more expensive. Consider this fact with the knowledge that to provide such coverage a satellite has to be launched to 36,000km above the surface of the Earth. It is then monitored and operated in conjunction with a global ground infrastructure and routing network.

What we see and are being told is that fleet managers are beginning to realise that they can improve the operational efficiency of their fleet using their FleetBroadband connectivity solution. The following table explains this further.

| Issue | Solution ⁴ | Solution Detail | Suitable Rate Plan | Potential Cost Saving |
|------------------------------|----------------------------|--|--------------------|--|
| Inefficient Operation | Virtual arrival | The virtual arrival solution allows the vessel to plan its arrival around such factors as – weather, availability of pilot, berths, cargo for loading, etc. This results in shorter off-hire time and more efficient use of fuel. | 500MB to 15GB VLA | Quote from BP – “In our 25 test voyages – targeted on journeys where delays were inevitable we have so far saved the company \$1.5 million in bunker fuel costs alone ” |
| Inefficient Operation | Remote diagnostics/ repair | Using FleetBroadband to provide video conferencing can assist with remote diagnostics. This will allow potential self-repair by onboard engineering with shoreside guidance or the planning of repair or spares delivery in-port. | 1GB to 15GB VLA | The main benefit here is to reduce time in-port whilst diagnostics take place or spares are delivered and repairs carried out. At a day rate of approx \$12k these costs can build rapidly. |
| Crew Issues | Crew recruitment | With a growing number of vessels at sea it is easier for crew members to choose their employer; provision of welfare (crew calling and e-mail/internet) will assist with recruitment. | 3GB to 15GB VLA | Most cost savings are associated with the retention of crew but the provision of welfare services will allow a fleet manager to have more choice during recruitment. |
| Crew Issues | Crew retention | Provision of welfare services also helps retain crew. Access to social media, voice calling, and local news are all taken for granted in society, especially in the Officer community. | 3GB to 15GB VLA | Recruitment, travel relating to the interview and assessment process combined with training new crew members can be very costly. Quote a Crew Manager at Maersk – “ \$100,000 cost of losing a high rank Officer . It takes 5 years before a new officer has reached same level of training & expertise” (= \$20.000 per year) |
| IT Issues | Remote support | Remote access to IT infrastructure from shoreside will ensure software is healthy and updated, that any issues can be diagnosed and resolved. This is especially important when most onboard operational systems are managed by IT – cranes, factory fishing, propulsion control, safety systems and maintenance logs. | 1GB to 15GB VLA | Aside from the benefit of reducing time in-port to resolve IT issues, the updating of important software for onboard facilities can be carried out remotely. This saves time “off-hire” and also allows vessels to remain operational at sea. |

⁴ These are actual customer data points and examples.

2.2 Five Key Strengths of Inmarsat Maritime

Inmarsat Maritime has 5 key strengths. When these are combined with our unique history in providing Safety Services and Connectivity Solutions to the Maritime sector results in our services being almost without comparison to those provided by other satellite operators.

A customer relying on a service for critical operational and safety services should question the 5 points below. This is the operational suitability test.

Viability – Can any other supplier demonstrate a history of service provision similar to Inmarsat? Can those suppliers assure you that they will be around in the future?

Stability – Can they provide a stable network that you can rely upon for safety services and connectivity solutions? Do they have network outages or gaps in coverage?

Reliability – What is their standard of reliability? Do they require a separate system to provide reliable services?

Scalability – Can they provide an upgrade path to grow with you as your requirements develop? Or will you need to change hardware and even network operator?

Upgradability – Do they have options for the future? What is next or are they only concentrating on the near term?

3. Cellular Telephone Pricing Comparison

Following our price increase on the Standard Plan our rates for IP data are still comparable, and in some cases more cost effective than, some cellular telephone operators:

| Operator | Global Roaming \$/MB |
|--------------------------|----------------------|
| Cosmote (Greece) | \$15.27 |
| T-Mobile (USA) | \$15.00 |
| Orange (UK) | \$12.58 |
| Inmarsat – Standard Plan | \$10.00 |
| Inmarsat – 200MB Plan | \$4.00 |

4. Conclusion

Existing & Evolved Services (E&E)

- Costs of maintaining legacy circuit switched services are increasing, while traffic volumes are reducing, making overall usage cost higher.
- Previous E&E VDS was eliminated, but incentives were introduced to migrate to FleetBroadband.

FleetBroadband

- Per MegaByte data rates for all volume commitment plans were reduced in May 2012.
- The recent FleetBroadband price increase only applied to customers without volume commitments. This price change reflects the cost of providing services to these lower volume users.

Any customer sending around 75MB a month might consider that for about \$60 more they can send 200MB – this provides an excellent path towards being able to operate an efficient effective fleet and save money.