GLOBALISATION IN THE STEEL INDUSTRY: INDUSTRY RESTRUCTURING, MERGERS AND ACQUISITIONS - RECENT DEVELOPMENTS AND OUTLOOK

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• Describe how the steel industry has consolidated and become more global in character since 1990, with reference to (i) the horizontal and vertical aspects, and (ii) the variation in the intensity of the phenomena amongst major product categories;

• Identify and analyse the factors driving the consolidation and globalization, including the roles that (i) growth in market-based economies, (ii) trade and (iii) the globalisation of key customer segments (like autos) have played;

• Describe the role that mergers and acquisitions and joint ventures are playing.

• Assess the implications of the consolidation and globalisation on competition and industry performance;

• Provide scenarios assessing the likely magnitude, extent and implications of any further expected consolidation and globalisation over the next 15 years.

Growth and location of steel production

1894 (22 MT)  1940 (170 MT)  2004 (1,059 MT)
Trade in 2003, excluding the EU and NAFTA, amounted to 232 MT or 26.9% of global steel production.

Share of seaborne iron ore trade / total iron ore production
Opportunities for consolidation theoretically exist in four different dimensions

GLOBAL CONSOLIDATION
- Pressure on raw material costs
- Coverage of global customers (automotive, etc)
- Leverage of overheads and research and development
- Access to growth markets
- Spread of risk

REGIONAL CONSOLIDATION
- Interplant optimisation
- Process route simplification and logistics costs
- Capital allocation savings
- Pricing stabilisation
- Direct access to regional growth markets

UPSTREAM
- Pressure on raw material costs
- Securing raw material supply
- Rationalisation of supply chain
- Spread of risk

DOWNSTREAM
- Controlling the market / supply chain
- Attractive margins
- Growth

“STEEL CO”
Crude steel production: consolidation

Forecast Share of Top Five Producers of Crude Steel based on Historic Trend of Industry Consolidation

Stages of globalisation in the automotive industry

1st Stage 2nd Stage 3rd Stage 4th Stage 5th Stage
1965 1990 2006 2015
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Toyota assembly assets

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The Arcelor automotive supply structures. Leading and sponsoring a network of automotive suppliers

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The steel industry has not been able to pay the cost of capital across the cycle.

The steel industry is less concentrated than other base materials industries.
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Global market capitalisation of listed steelmakers (ex Chinese)