



ARCELOR
unites key players to form
UGINE & ALZ



There is a new player in the steel business that one cannot easily overlook. With the merger of Acelalia, Arbed and Usinor, Arcelor has become a fact. But what about the stainless steel activities of this steel giant, one of the largest in the world? Stainless Steel World decided to talk to the Commercial Director of UGINE & ALZ, Mr Pascal Payet-Gaspard. He discussed with us the reasons for the merger, the plans for the future, and how the stainless steel activities of the founding companies brought them together.

At the start of the 20th century Europe's steel industry was strictly organised along national lines. A lack of a national steel industry was considered a direct threat to the national security of a nation and even a small country such as the Netherlands, which had to import both iron ore and coal, had its own steel mills. Much has changed since then. After the World War II the consolidation of the steel industry took off. Strongly influenced by the foundation of the European Coal and Steel Community the markets for steel were liberalised at once heavily subsidised companies had to become efficiency-driven, competitive, self-supporting entities. No wonder more and more major players had to merge, so that today the number of steel-producing companies is only a fraction of what it was a century ago. An important next step in the consolidation process was taken only recently. Through the merger of Acelalia, Arbed and Usinor a new company came into being, Arcelor. With 110,000 employees world-wide and an annual production of roughly 45 million metric tonnes of steel the new company is the largest steel producer in the world. It sees itself as the first truly global steelmaker and expects to increase its efficiency and service to the customer to unprecedented standards. The name Arcelor symbolises first of all the union and integration of the experience and expertise of the three constituent companies: **Arbed**, **Acelalia** and **Usinor**. Stainless steels form an important part of the product portfolio of the

new company. In fact, the first exchange of ideas about a possible co-operation between Arbed and Usinor concerned their stainless steel activities. These talks, which took place in the autumn of 2000, were so fruitful that they were extended to include all activities of Arbed, Usinor and also Acelalia, which at the time **was** in a strategic alliance with Arbed. From there on things gathered speed, and a year ago the announcement of a possible merger between Arbed, Acelalia and Usinor became world news within the industry. In order to report on the emergence of Arcelor and its stainless steel activities Stainless Steel World visited Paris's business district La Défense. Right next to the Grand Arche we met Mr Pascal Payet-Gaspard, who is the Vice President, Sales & Marketing of the new company UGINE & ALZ. He talked to us about the reasons for the merger, the capabilities of the new company and its potential. "There are two main driving forces in our industry today that favour an increase in scale: the need to increase competitiveness and the return on invested capital. To start with the latter, the stainless steel industry is heavily capitalised and faces quite violent cycles. I don't think I have to remind anyone in the industry how extreme price differences for stainless steels can be. As a result it is quite a challenge to guarantee a proper return on investments. The different companies that form Arcelor recognised that getting together would help to optimise investment plans and reduce costs which would contribute to a more

Mr Payet-Gaspard: "Increasing competitiveness and service to the customer are important driving force behind the merger"

efficient organisation”, Mr Payet-Gaspard explains.

The second main driving force behind the foundation of Arcelor and the merger of UGINE & ALZ is the need to improve competitiveness. The stainless steel industry is an industry where economies of scale play an important role and the merger created a promising point of departure to realise these. Even though when it comes to economies of scale things are not as



Bright annealed stainless steel are just one product of UGINE & ALZ's wide product range



balanced and able to compete with each other in a healthy way.”

UGINE AND ALZ

Mr Payet-Gaspard expects that the parts of Arcelor's stainless branch that will benefit most of the spin-off of the merger are UGINE and ALZ. In fact it is these companies that are responsible for the first contacts between Aceralia, Arbed and Usinor because of the excellent opportunities a far-reaching co-operation would offer. As such UGINE and ALZ were present at the birth of the new company. Mr Payet-Gaspard feels that the excellent co-operation between the two and the positive spirit during the talks significantly contributed to the success of the merger. This positive spirit of co-operation is more alive today than ever now they are merged to one company.

Even though UGINE and ALZ have completely different backgrounds. UG-

easy as they might look at a first glance. In order to prevent monopolisation of a market the European Commission will not allow companies that produce the same type of product to merge in a market with a limited number of players such as the stainless steel market. Therefore the companies that make up UGINE & ALZ today had to look for partners that were strictly complementary when it came to products and services but could provide support to each other when it comes to realising economies of scale.

Mr Payet-Gaspard: “If you look at the product portfolio, the markets we serve and the services we offer the companies that make up UGINE & ALZ are clearly complementary. This was clearly recognised by the European Commission. Even though the standards they use in order to guarantee a proper functioning of the market are extremely high and often quite hard to meet, they had no

comments whatsoever regarding the stainless steel companies involved in the merger. We feel this is a great support for our new company. We have created an organisation that is a more competitive player and a more efficient producer without interfering with the number of suppliers in the separate markets we serve. In fact I feel that the creation of Arcelor's stainless steel branch has restored the balance in the market. Today there are four major players, of which Arcelor is the biggest, that are well

FACTS & FIGURES

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| Name: | Arcelor |
| Founding companies: | Acelaria, Arbed, Usinor |
| Production (carbon and stainless steel): | 46 million tons of crude steel |
| Turnover: | EUR 30 billion |
| Number of employees: | 110,000 |

INE has been a prominent player on the market for very long. In fact UGINE's predecessors were true pioneers in the stainless steel business. Through the years the company developed itself into a top supplier specialising in thin material and special bright annealed ferritic grades. ALZ on the contrary was founded in the early 1960s and started as a greenfield plant. The company is an important producer of wide hot-rolled material, up to two metres width.

All in all, Arcelor is not only world leader in terms of tonnage, but also for the range of products and services on offer. Mr Payet-Gaspard says: "Today we can offer a complete and wider range of products to the market : grades, formats, dimensions and surface finishes. Our cold-rolled material runs from 0.3 mm to 35mm in thickness and our hot-rolled material from 1.5 to 13mm. As important as our products are our service centres. In Europe we have service centres strategically located close to our customers and specialised for particular products or services."

NEW COMPANY

So what are the key points for the future for the new company? "Basically our strategic plans for the near future run along three lines: tap the synergies within the new company, further co-ordinate the investment plans and innovate the sales network and develop new applications", Mr Payet-Gaspard adds: "As I mentioned before, relations between the different companies that make up UGINE & ALZ today have been excellent, but there is still a lot of work ahead of us. It takes time to switch over to a unified company culture and to identify and realise the synergies that are potentially there. But I am confident that, even in the short run, we will make significant progress, and I am sure we will finalise the transformation process remarkably soon."

Mr Payet-Gaspard continues to explain that, already during the early stages of the talks that resulted in the merger, synergies were identified. As a consequence the stainless steel branch of the company has already begun to co-ordinate its investment plans. As an example he mentions the new investment programme that the former ALZ initiated in Genk. At the moment a new steel plant is being

built there which will start up production end of 2002.

The requirements of the new company have clearly been incorporated in the design of the new plant. All in all, much emphasis has been given to making the route of production shorter and more efficient in order to be even more competitive.

Being responsible for sales, Mr Payet-Gaspard is particularly interested in the third strategic point, innovating the sales network and developing new applications. Mr Payet-Gaspard: "It is truly fascinating to be involved with UGINE & ALZ's commercial activities. We are geared to service our customers with an optimal product and a top service. In order to do so we have established a company-broad sales organisation, as we want our customer to do business with only one sales organisation regardless of which of the products he needs. All in all I feel that our sales organisation, together with our extensive and expanding service network, is in an optimal position to serve the customer. Furthermore there is a lot of potential for stainless steels in the world today. Even in Europe, where stainless steels are fairly



Stainless steels have definitely not reached its full potential and will be used in an increasing number of applications according to Mr Payet-Gaspard.

extensively used, the material has definitely not reached its full potential. And need I say what chances there are for instance in Asia? Thanks to further cost reductions, time and time again stainless steels are recognised as the most efficient material. I feel the future looks bright for Arcelor. We have the facilities to be one of the most efficient producers, the sales and service organisation to back it up and are in a business that belongs to the future ◀

Pascal PAYET-GASPARD, Vice President Sales & Marketing of UGINE S.A and General Manager of UGINE Europe Sales Network.

Pascal Payet-Gaspard, 54, graduated from Ecole Polytechnique in PARIS in 1971 and from Massachusetts Institute of Technology, Sloan School of Management in 1973. He worked with the Aluminium branch of Pechiney from 1973 until 1979. He then joined UGINE Stainless Steel Long Product Division as Commercial Manager. From 1985 until 1995, he worked with Ascometal as Manager of Hagondange Steel Mill and then CEO of Ascoforge, Ascometal's Forgings Division. From 1996 until 1999, he worked for Usinor Holding as Vice President for Automotive Development. In the beginning of 1999, he was named Vice President Sales & Marketing of UGINE SA and General Manager of UGINE Europe Sales Network.