



**CARDIFF**  
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# Welsh Economic Review

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# Welsh Economic Review

Interview with Will  
Swain

Will Swain is a writer and editor who has worked for several years at the New York Times. He is currently working on a book about the history of the New York Times.

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**Interview &  
Feature  
Article**



# Interview with Nick Cragg

## Managing Director of Corus Strip Products

In 1994, following an impact study of steel in Wales, the *Review* team interviewed John Bryant, then Managing Director of British Steel Strip Products. John Bryant has since become Chief Executive of Corus (a merger of BS with Hoogovens, Holland) and Nick Cragg was appointed as his successor in Wales.

### Could you outline the main changes that have occurred since 1994, when WERU first reported on the steel industry in Wales.

The most notable change for us has been the creation of Corus from a merger between BS and Hoogovens in Holland, which came into effect on 6th October 1999, when Corus shares were first traded on the New York, Amsterdam and London Stock Exchanges. This merger also reflects the gradual changes to the ownership structure of the global steel industry. Of the 800m tonnes of steel produced annually in the world, the top three steel-makers, (NSC in Japan, Posco in Korea and Corus) manufacture only 9% of this, and so there is still some way to go in terms of industry restructuring.

Corus' ambition is not growth for growth sake, but rather to explore and effect ways to create value. On the revenue side, we are constantly developing new and better products in niche markets or ones which have added-value. On the cost side, we endeavour to make sure our cost base remains internationally competitive.

As an example, the continuous annealing line was officially opened in Port Talbot in June 2000. This was built at a cost of £121m and represented the largest single investment from the former BS since privatisation. This investment has significant cost, quality and product development opportunities. For example, it reduces the processing time from 7-9 days down to under an hour!

### In July this year Corus announced the loss of some 1,300 jobs at Port Talbot, Llanwern and Ebbw Vale. Are these measures for improving productivity or reducing output?

It is, of course, quite correct that we have shed jobs at sites in Wales. 1,300 jobs were lost across the core works in Wales in July 2000. These losses have been associated with Corus addressing the continuing difficult trading conditions as a result of the weak Euro/strong pound.

However, it is also the case that the process of productivity gain is on-going. For example, during the three years up

to the end of 1999, 3,000 jobs were shed in Wales, reducing our workforce from 14,000 to around 11,000. This will now reduce to 9,800 as a result of further multi-skilling, training and investments, yet we make as much steel now in Wales as at any time in our history.

### What are the future plans for Research and Development activities within Corus?

Up to the merger with Hoogovens there were three R and D Centres in the UK, and one in Holland. These are going to be rationalised to one in each country, with the UK centre likely to be located in South Yorkshire, close to our customers, since its remit will be product development. The Dutch centre will be focusing on Process Development. Most of the existing staff at the Port Talbot Research and Development Centre have transferred to one of the new facilities, or elsewhere in the business, but as with any structural change some jobs will go completely.

### Could you outline Corus' plans for capital expenditure in Wales in the near future?

We have recently announced our intention to reline blast furnace No 3 at Llanwern. We did, however, qualify the announcement by saying that it would be kept under constant review, such that it remains in the best interest of the Company.

### In the impact study in 1994 WERU estimated indirect employment supported as a result of British Steel activities in Wales to be around 30,000 full-time equivalents – a large share of that being sub-contractors. Do you think the size of this multiplier effect has changed?

Several points can be made here. The 1994 study reported around 15,000 direct jobs and 44,000 jobs in total in steelmaking in Wales. Our experience at Ravenscraig would suggest a slightly lower multiplier. I think today the multipliers would probably be much lower; as low as one job in Corus supporting another job outside. This is partly as a result of structural changes to our suppliers. Just as we have had to

make productivity gains, then so have they.

I'll give you an example. Our steelmaking vessels have brick linings which wear out and can cost as much as £500,000 to replace. In the early 1990s the linings lasted for about 1,500 heats. Our suppliers have improved the linings and we have been able to increase the number of heats before replacement to over 4,000. We cannot leave our suppliers untouched by difficult trading conditions, or our own drive for efficiency. Indeed, they can influence our performance and productivity to a great extent.

### Can you describe the effects of exchange rates on your trading relationships?

There are several inter-related points here. Raw materials such as iron ore and coal are traded in dollars so both the exchange rates with the Pound and the Euro are important. Equally, while we have maintained our share of the UK market we are concerned about the size of this market, which indeed has started to diminish under the pressure from the strong Pound. We then have to sell our steel elsewhere and the strong Pound makes it more difficult for us to compete with other steel producers, who are both making and selling in the Eurozone. Of the 50% of our output which is sold to the UK market, near half is finished and then exported, the rest stays within the UK. Whichever way, the market is vulnerable because of the currency instability, and moves are needed to offset the effects of the currency transaction.

### If you were in a position to influence policy, what would you suggest, given that we cannot join the Euro until the convergence criteria are met, and nor can we devalue the Pound using interest rates without fuelling inflation?

The United Kingdom cannot continue to stand on the sidelines of the Euro – if we do we will continue to be marginalized. We need to assess and address the convergence criteria. There are a number of measures available – and other measures must be considered alongside interest rates.

**What about competitor metals? Is aluminium ever likely to rival steel in car manufacture, for example?**

It's not that simple. First, a car is made up of different materials; steel being the principal component, but with plastic and aluminium components also used. Aluminium is more expensive to make (and recycle) but has valuable properties such as its lightness. The battleground of materials options in car manufacture is growing all the time.

**Where do you think manufacturing in general and steel in particular fits into modern Wales?**

Steel forms the basis of innumerable manufactured products. Demand for steel is then, in a sense, a very good barometer of business conditions. Our cycles tend to signal economic

conditions six months ahead. I do not believe that the UK economy can survive and prosper on traded services alone. In fact, we often hear that manufacturing contributes increasingly smaller shares to GDP, around 20% in the UK at present. This figure is misleading and underestimates the intricate relationship between so-called services and manufacturing, with much of the growth in the former being tied to the latter.

**In 1994 John Bryant mentioned two features of the Welsh Economy which impinged on its performance; infrastructure and skills. If you had a say in policy-making in Wales what would be your priorities and why?**

It's easy to say perhaps but I hope that the new Assembly will have an outlook

beyond Wales, as we live and work in a very competitive world. I realise that the powers and remit of the Assembly are limited to secondary legislation and confined to a fixed budget. However I think that, despite these limitations, an Assembly member's task must be to provide the conditions and environment to make Wales a good place to be – whatever it takes – such as investment in infrastructure, schools, health, research and development. We want good quality manufacturing jobs here, which will in turn encourage further inward investment with high quality jobs.

On a more specific note, Wales and steel. I believe there is a good understanding between the management and the workforce, even though the message is a difficult one and the issues are challenging. I hope this good relationship will continue.