

Sustainable Consolidation Effort the Iron & Steel Industry in Malaysia



Views by

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Identify Principle Aims of Consolidation

1. Actually Lead to Greater Competitive Strengths
2. Lead to Local Production Costings of No higher than 10% of International Level
3. Consolidated Industry that do not require Trade Protection
4. Government should give direct Grants & Incentives
5. No subsidies from Consumers; especially in form of Import Duties
6. No implementation of Non-Tariff Trade Barriers

Realities of the Current Iron & Steel Industry

1. If local Upstream Manufacturing Facilities are not already low cost type; consolidation will not necessarily lead to low cost. 1+1 will not be 1.5!
2. Few Years Ago China ban $\leq 400\text{M}^3$ Blast Furnaces; Lately they are cutting those below 1000M^3 . This will lead to further efficiency.
3. Our country only has one mill at the moment that are about 400M^3
4. Later on, perhaps there will be one more 1000M^3 or 3.5 Million Tons mill coming on stream!
5. Given the scenario, and the stagnating demand, the Outlook is very challenging.

The Right Approach to the Iron & Steel Industry

1. Set the Goal & Objectives Right First of All.
2. Long-Term Goal = e.g. Help Steel Related SMI to Be **World Class Competitive**
3. Then Set the Objectives = e.g. Help Local Steel Producers to Reduce their Costs to Within No More than 10% of world steel cost
4. Methodologies to Meet Objectives = Perhaps, Consolidation May Be the Answers!
5. There are other Objectives – Don't Forget

Conclusions

1. We Strongly Believe the Health of the Iron & Steel Industry cannot be solved by only looking into the Supply Side of the Equation
2. We must & should look into the Demand Side, i.e. on how to help our Steel SMI industries be more competitive.
3. MSI & MITI should look into how our SMI can reduce its cost of doing business
4. As long as we are still not achieving a big increase in our Apparent Steel Consumption (via Demand) – No part of the Iron & Steel value chain will see any long term sustainable growth & profitability.