

Karl-Ulrich Köhler Speech

British Constructional Steelwork Association

24 February 2011

Ladies and gentlemen.

I learned a long time ago that there are three secrets to a good dinner speech.

First of all you need a good writer, second you need a receptive audience and third you need wine on every table. Then pray they are all in the right balance. But if there is a problem tonight with my words then please feel free to adjust the balance by drinking quicker!

Thank you Jack [Sanderson, BCSA President] for your earlier words and the opportunity to speak at the BCSA dinner.

You know we also need 3 things to make the steel construction sector a success in the UK. We need a healthy steel maker, best in class fabricators and successful, brilliant steel users (be it designers, architects or project managers). I know all three are in the room tonight; it is a pleasure to see some of you for the first time and in some cases to renew old friends.

Ladies and gentlemen, Tata Steel commits a lot to the BCSA in terms of cash, people and product know how. Like all of our investments we need to maximise our returns.

Jack talked about our collaboration work.

If I stick with my theme of three, then what do I think are the three issues we need to solve together this year?

1. Costs.

I could not be here amongst you, being open and honest, and then ignore costs. You know that over the last 24 months we have done a huge amount as Tata Steel to reduce our own cost base. This has been done to improve our internal efficiencies – like spending £10m putting our UK panel and profiles business on one site in Shotton, right next to our colour coat lines; and to ensure our supply chain - the part that serves all of you - is as lean as possible. Things like our promised delivery on time is improving - did you know it's now higher than 98% out of our Catnic business. And did you know we will

now have a service centre on the back of our beam mill in Teesside. These are all improvements in our construction market offering.

Our own coat base now faces significant volatility through raw materials. For the last 12 months we have started to get to grips with the quarterly pricing environment that has been forced – yes forced, upon us. I even saw this week some iron ore deals in China looking at monthly spot pricing, which of course would only exaggerate this issue. We have to be realistic as a steel maker and look to pass these costs through; I know this volatility makes it difficult for all of our key sectors – whether it be packaging that lives on an annual cycle of seasons, whether it be automotive that must plan vehicle design and delivery over multiple years or whether it be the construction industry that is project driven and where cost stability is essential to ensure budget delivery and also to allow design innovation within boundaries placed by our end customers.

I remain convinced that there are solutions. Talk to us; we are already providing some pricing innovation to try to help our customers through these issues. Ultimately as a steel maker I cannot be forced into only being the lowest cost converter of raw materials. I know Tata Steel in Europe will only win if we keep our product and service offering as what you need and to match what is being asked for. That will make sure the threat of steel substitution is dealt with.

Most of the BCSA joint activity work in this area is about looking at this competitive situation between steel and other materials. I think a key message is that while prices are increasing for steel the competitive situation with other materials is not significantly changed. Timber, concrete – they simply do not match steel for total cost, design in use capability, pace of technological innovation and sustainability. We must provide the construction market with the right information of the cost of structural steelwork to ensure that steel is never ruled out of a project simply because of people's perceptions.

I deal with facts and I always expect others to do the same.

2. Sustainability.

We all know that buildings are responsible for almost half of the UK's carbon emissions, half of its water consumption, around a third of its landfill waste and a quarter of all raw materials used in the economy. This means that the UK's sustainable development targets cannot be met without a fundamental change to the way in which buildings are constructed.

We, ladies and gentlemen, WE must be the solution.

Together as BCSA it is our design initiatives, our fabricating skills and our steel product innovation – a fully integrated supply chain – that will deal with this. I have personally

spelled this out to government ministers at BIS, I will join the CBI in beating the same rhythm with the government in May and I know my team does the same with DECC (it was only on Tuesday of this week that they were last in our offices in Millbank).

I trust the BCSA to maintain this message on all our behalf and I trust us to find a way to make it work.

It is this supply chain agenda on sustainability that is more appealing and will be more successful than the blunt measures on emissions from our steel plants. In steel construction we offer the three (yes ladies and gentlemen, another threesome) pillars of sustainability:

- A. Ecological - through the contribution to emission, landfill and water use reduction.
- B. Economic – a healthy construction industry is hugely supportive to the economy in general through its contribution to salaries, taxes: the multiplier effect.
- C. Social – through offering employment at all levels of skills and capability, by offering solutions in construction to social housing and commercial construction to support the way people want to live their lives.

I endorse the 'Target Zero' project with BCSA and the work done already on buildings such as the Knowsley School with Balfour Beatty, the Stoke distribution centre with Prologis and the Asda supermarket in Teesside. Press on with the completion of this work – the office and the mixed use buildings – so our messages are complete, clear, and compelling!

As Tata Steel we are also sponsoring the UK Green Building Council at the Ecobuild Exhibition at Excel in London on the 1st, 2nd and 3rd of March. This is just around the corner. You know it's the biggest construction exhibition in the UK, by far, with over 50,000 visitors expected over the 3 days. The results of the Target Zero project will feature heavily in our own communications work at the Ecobuild exhibition. This is a bonus for BCSA and all our customers that Tata Steel continues to do market development activities outside the joint BCSA programme, which will also benefit everyone in this room.

It emphasises our commitment to sustainability and signals our determination to win the argument.

I said three things to work on with BCSA. First was costs, second was sustainability and third is harmonisation. The introduction of the Eurocodes will be the largest single change in codified design in living memory.

Tata Steel is actively supporting designers through this transition period, and is working with BCSA and the Steel Construction Institute on a number of initiatives. The first package of steel building guidance documentation is now available, and covers many aspects of building and bridge design. Things like the steel bridge design software, generated through BCSA, Tata Steel and Atkins is innovative, exciting and should be a useful tool.

Ladies and gentlemen I hope we are going at the right pace for you all on the harmonisation agenda and meeting what the industry needs. If we are falling short then let us step this up. Let me know. We can deliver our part as Tata Steel and in working with BCSA we should be able to deliver the needs of fabricators and designers.

I hope this gives you my sense of the importance of BCSA for Tata Steel, for the construction sector in the UK and a sense of our priorities. I trust at next year's dinner we will be toasting completing these successfully.

But I have not yet mentioned the elephant in the room. The UK construction market and the demand for steel. It is tough, we all know that and we all deal with it every single day.

I have a proposal for you for the rest of this evening. Let's be optimistic. Optimistic about the BCSA and optimistic about what this market and industry could be like. And it is easy to find three reasons to be positive even now:

- 1. The £2.2bn investment in Terminal 2 at Heathrow is taking shape. I know the contracts have been awarded but as a Lufthansa user I look forward to arriving there in due course. But I can already see the way steel is being used and the unique construction methods – cranes lower than 45meters to avoid the radar, steel sections at a maximum 18 meters to avoid out of hours delivery through the airport tunnel and the temporary steel bracing whilst elements are fixed to the cores. I admire problem solving – it starts with the steel manufacturing at our sites and goes all the way to the on-site delivery and build.
- 2. The Shard is already the tallest building in London and will be the tallest in Europe when completed. And as a German engineer even I have to admire the "top-down" construction method to get both the substructure and the superstructure underway simultaneously.
- 3. The new Olympic velodrome has just been completed to time and on budget. It is iconic and means cyclists will hear the roar of the crowd from every angle. And the unique curved roof of course would not be possible without the steel ring beam. Well done to Watson's: I trust you maximised the use of the best steel in the world – Tata Steel. I can see the rest of the Olympic Park is making good

progress. I hope to get some tickets – I've registered my name. And you should know we do our part towards making the Olympic a success on many levels; not just with superior steel supply. Tata Steel also sponsors the British Triathlon Organisation which contains some of the best medal prospects this country has!

So, be optimistic. Lead in the construction market. The success of all of us is tied closely together and that's the reason to support the BCSA.

However, I don't believe this dinner will do any good for our own Olympic medal prospects. But I can still see some wine on the table so perhaps you could digest my words without too much need for liquid refreshment!

So how to end:

1. I praise BCSA and the construction industry for their work they do on health and safety. It is important; Jack mentioned it and I reinforce the message.
2. We have a huge agenda ahead of us as BCSA; Tata Steel actively supports it but I want this to be meaningful for all of us and for all of us to benefit.
3. Finally my message to my own sales people is customer intimacy. I've enjoyed the chance to be intimate with a meal and a speech so thank you. I look forward to all our businesses being intimate in the coming months.

Thank you and have a good evening.