

Interview with Phil Dryden



The Welsh Economic Review editorial team interviewed Phil Dryden who is Managing Director of Corus Strip Products UK. Phil is a relative newcomer to the steel industry having joined Corus in April 2004 after 27 years in the chemical, petrochemical and electronics industries. A chemical engineering graduate from Leeds University, Phil's career started in Wales when he was appointed as a process engineer in BP's Port Talbot plant in 1977. He went on to become one of the site's plant managers before moving onto a similar role with Saudi Petrochemical in 1982. Phil joined Exxon Chemical in 1984, where he spent thirteen years in a variety of senior technical, manufacturing and logistical positions. In 1997, Phil became European Operations Director, first for Raychem Limited, an industry leader in wires and cables, and then for Tyco Electronics after it acquired Raychem in 1999. Tyco is an industry leader in electrical and electronic connections and interconnections systems for industries including aerospace, automotive, computing and consumer goods. As Managing Director of Corus Strip Products UK, he is now responsible for Corus' strip steel operations in Port Talbot and Llanwern, near Newport as well as two smaller strip processing sites in Pontarddulais and Brierley Hill in the West Midlands.

Could you outline the scope and scale of Corus?

Corus is a leading manufacturer of steel and aluminium products serving a wide range of industries, such as construction, automotive, aerospace and packaging sectors. With a turnover of £8 billion and 48,000 employees worldwide, Corus is ranked as the eighth largest steelmaker in the world by volume – the company manufactures over 18 million tonnes of steel at our main integrated steelworks in the Netherlands and the UK.

Could you provide an overview of Corus' activities in Wales?

Corus is the single largest manufacturing employer in Wales with nearly 8,000 employees operating on thirteen sites. Nearly all of Corus' activities in Wales are based around steel strip products – that is the sort of steel that goes into cars, washing machines and tin cans.

The integrated steelworks in Port Talbot is our largest Welsh site covering some 2,000 hectares. Since we completed a £79 million investment in new

continuous casting equipment earlier this year, Port Talbot's 3,100 employees are now producing 4.7 million tonnes of steel slab, twenty-five per cent more than before.

This steel slab, which is an intermediate product, is then processed into different types of steel strip products at our rolling mills in Port Talbot, Llanwern, Shotton, Trostre, Pontarddulais, Tafarnaubach or at our joint venture electrical steels company, Cogent Power in Newport. In turn, many of these products are further processed into components, e.g. into building panels by Corus Panels and Profiles in Ammanford, into consumer products or domestic appliance parts by Corus ColorSteels in Crosskeys, Gwent.

Corus, and its predecessor, British Steel used to employ many more people in Wales. Could you describe the changes that have taken place in recent years?

The changes have been both technological and structural. Let me take each one in turn.

Making steel used to be very labour-intensive. Take Port Talbot steelworks as an example - employment at the site peaked in 1960 when 18,000 employees worked there. In 1979, some 12,000 people worked at the site manufacturing 2.4 million tonnes of steel. As I said before, there are now 3,100 people making 4.7 million tonnes of steel at the site. Investment in technology has been a critical factor in this change. For example, continuous casting technology has replaced the labour-intensive ingot casting process, which was standard across the industry up to thirty years ago. Our £120 million investment in continuous annealing technology in 1997/98 eliminated the time-consuming batch annealing process. Investment in technology has allowed us to increase steel output in Wales over the decades while increasing our overall industry competitiveness, which is often measured as man-hours per tonne of steel. This has also helped to reduce by some 40% the amount of energy needed to make a tonne of steel.

In recent years, Corus had to tackle some serious structural issues. This isn't new, but has been an ongoing process over the last thirty or more years throughout the UK. The impact of these changes in Wales have been well documented – the closure of the Ebbw Vale steelworks in 2002, the end of liquid steelmaking in Llanwern steelworks in 2001 and so on. Although I wasn't employed by Corus at the time, I know that these were difficult decisions and were not taken lightly. With a year and a half in the steel industry under my belt now, I can understand completely why these decisions were taken. If your business continues to make losses by manufacturing and selling products to unattractive, and in some cases declining markets, you have to make choices to protect the parts of your business that have the potential to be viable in the long term. In doing so, you have the opportunity of protecting the jobs of those who can still be involved in that long-term future.

It was heartening for me to learn that many of the dire predictions made at the time didn't come to pass. Analysis conducted by my colleagues at the time shows that the number of former employees who did not find alternative employment or did not take up retraining opportunities was very low indeed. Much of this can be attributed to the proactive way in which Corus worked with the Welsh Assembly Government and public bodies at the time to manage these difficulties together.

This period of Corus' history highlighted differences between the company's UK and Dutch operations. How are things today?

British Steel and the Dutch steel company, Koninklijke Hoogovens merged in 1999 to create Corus. It was at this particular time that manufacturing industry in the UK was under a lot of pressure, particularly from the strength of the pound in relation to the Euro. British Steel was at that time exporting nearly 50% of its output, mostly to Eurozone countries, and making considerable losses on those sales.

Steelmaking in the Netherlands was, and still is concentrated on a large, single integrated steelworks site by the coast in IJmuiden, west of Amsterdam. It has always been, and continues to be one of the most competitive steelworks in Europe. The difference compared to the UK operations was stark and geography begins to set the scene. IJmuiden contains almost the equivalent of all our Welsh operations on a single site located next to its own deepwater harbour. Whereas, taken altogether, our UK steelmaking operations were spread across six sites, Strip Products in Port Talbot and Llanwern; Long Products in Teesside and Scunthorpe and Engineering Steels in Rotherham and Stocksbridge.

The key issue for Corus at the time was structural and economic: six sites in the UK were trading with a currency disadvantage and a single competitive site in the Netherlands was trading without a currency disadvantage. Whilst there was not a great deal that Corus could do to influence exchange rates movements, there were steps we can take to deal with how our business is configured and to address lack of competitiveness.

The changes that have been made over the past few years now mean that the UK and Dutch steel operations are much more balanced, both structurally and in terms of relative competitiveness, although the Corus plant in IJmuiden will always have the key advantage of being a large, single integrated steelworks.

Could you talk us through the detail of these changes, with particular emphasis on the Welsh operations?

When our Chief Executive, Philippe Varin joined Corus in May 2003, he introduced a programme called 'Restoring Success'. It included a restructuring strategy for our UK operations which was based around investment in the assets that would form the core of our UK carbon steel business in the future and secure improvements in performance and competitiveness. The strategy was straightforward – focus crude

steelmaking onto three sites in the UK, strip products in Port Talbot, long products in Scunthorpe and engineering steels in Rotherham and invest over £200m in making these plants fit for the twenty-first century steel industry.

The financial objective was to reduce the overall cost per tonne of steel and ensure that the UK operations generate cash throughout the economic cycle. The commercial objective was to align overall capacity to likely future demand, particularly in our UK home market where we are less exposed to exchange rate variation and cross-channel shipping costs.

As far as Wales is concerned, liquid steelmaking had already ceased at Llanwern during 2001 so the focus was on investment in our key assets, particularly in Port Talbot. I have already mentioned the £79 million investment in a third casting machine at Port Talbot – this was the flagship investment project under Restoring Success. It was opened in May 2005 by The Rt Hon Rhodri Morgan AM, First Minister with the Welsh Assembly Government and we are delighted that it is now running at capacity, with the twenty-five per cent increase in output that I mentioned previously.

Corus' investment in its Welsh operations goes beyond that £79 million in a third caster. Over £200 million has been invested in the past couple of years, including the caster development. Our recent investment in the Morfa coke ovens refurbishment programme in Port Talbot cost over £50 million and £18 million was spent on the nearby sinter plant. Shotton Works in North Wales has invested £11m in a new warehouse and railhead facility. Llanwern has invested over £6m in galvanising and coil pickling and has set new standards in energy management, which has resulted in considerable cost savings and reduced our environmental footprint. A dedicated domestic door pressing line at Corus ColorSteels in Crosskeys, Gwent costing £250,000 is a good example of Corus' commitment to investing in worthwhile downstream projects. The list goes on.

You joined Corus in early 2004 from outside the steel industry. Why?

When Corus was formed several years ago, promotion was traditionally from within its own ranks. Most of the senior positions were filled by long-serving steel industry managers. I must say that I found this quite unusual and I think it is fair to say that since the appointment of Philippe Varin as Chief Executive, things have changed. Philippe himself joined Corus from Pechiney, an aluminium company. Shortly after he was appointed, he set about reviewing the entire senior team in the company

and many changes were made. Experience from outside the steel industry was recruited into the company, starting at the highest level.

As this process was extended down throughout the organisation, I was invited to join Corus as managing director of one of its most important business units, Corus Strip Products UK. I was familiar with the difficulties that the company had faced prior to 2004 – we've just been discussing them – so I did my own due diligence on the future direction of the company. I looked at the steps that were being taken to steer the company back to success and beyond to sustainable competitive advantage and I decided that I had a lot to contribute and that wanted to be part of that journey. I'm glad that I did make that decision.

Was the fact that you did not have a steel industry background an advantage or disadvantage?

My background is in manufacturing, gained from petrochemical and electronics industries, so that is a helpful starting point. Many of the challenges are the same irrespective of which manufacturing industry you find yourself in. However, not coming from the steel industry allowed me to look at the business in a different way with a fresh pair of eyes. Overall, I would say it was an advantage, both for me and for the company.

What are your personal priorities in this role?

When I started in the role, my main remit initially was to ensure that the investment projects were completed on time and to budget. This work is mostly done now. My focus now is on making sure that Corus is successful for many years to come, as determined by a number of variables; I want our customers to rate us as a world-class steel supplier, so I am putting a lot of effort into improving our supply chains and delivery performance; I want our employees to feel proud of working for Corus, so I am focusing more and more on engaging and involving our workforce in the journey to sustainable competitive advantage; I want our competitors to envy the success we are creating, so I am placing a great deal of emphasis on process improvement, both on the shopfloor or in the office functions.

We have good people and good plant and equipment – better processes and strong supply chains will deliver excellence back to steelmaking in Wales and ensure it continues to be a strong force in the Welsh economy. I look forward to making that happen.