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Resulting from Overmanning in Steel Companies

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**CHALLENGES AND PROGRESS IN THE
RESTRUCTURING OF TRINECKÉ ZELEZÁRNY, a.s.**

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Summary**Short introduction to the Czech steel industry**

- The steel sector is a branch of industry with a long-term tradition in the Czech Republic.
- The major sector of the Czech steel industry is concentrated in the three largest steel companies.
- The restructuring study of the Czech steel industry provides responses to the questions of why, how and when to restructure.

Trinecké Zelezárny a.s. (Trinec Iron and Steel Works)

- Trinecké Zelezárny is a fully integrated steel company producing mainly long rolled products.
- In 1996 Trinecké Zelezárny became a fully privatized company. The major shareholder is Moravia Steel.
- Restructuring of Trinecké Zelezárny began at the end of the 1980s and was intensified after 1996. The process concentrates on:
 - A project management approach
 - Investment and modernization projects; shut-down of obsolete facilities

- Joint ventures and externalization, strategic partnerships
- The severe global steel crisis forced the company to apply crisis management and be profitable even in 1999
- Marketing management, customer-driven approach
- Focus on value added products,
- Quality, cost reduction, productivity.

Some results of Trinecké Zelezářny's restructuring

- Number of employees dropped from ca. 19 000 in 1989 to less than 7,000 in 2000 and plans for the next few years.
- Productivity
- Social aspects – activities aimed at creation of new jobs
- Environmental aspects
- Preparation for European Union accession – viability criteria

Challenges for the nearest future

- Creation of alliances with foreign partners in order to improve technology, develop products and solve environmental problems – recycling of waste, etc.
- Entry of a foreign partner is possible only to healthy companies
- The steel coalition of the Czech steel companies - opportunity for controlled restructuring
- Approval of the first stage study and continuation with second stage of restructuring in 2001 with the help of European Union experts
- Attempts to solve social impacts applying tools used in the European Union

Main barriers and difficulties in restructuring and privatization

Since the beginning of 1990s the following can be mentioned:

- The original principle adopted by the liberal government to privatize first and to leave restructuring to new owners
- The absence of attractive conditions for foreign investors (in the early 1990s)
- Lack of programs for solution of social impacts (till 1999)
- Little state involvement in elimination of old ecological damages
- Difficult access to credit for steel industry

Conclusion

- The restructuring of Trinecké Zelezářny a.s. made important progress in recent years.
- The current stage of restructuring will begin in 2001. The stage of coordination and integration, which, with the assistance of European Union experts, must ensure further growth in efficiency of the Czech steel industry. It should also fulfill the viability criteria so that it may soon join the European Union steel sector.