

Industry Sector

Division Industry Solutions

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Siemens VAI Expands Local Business in Russia – Need for Modernization in the Iron and Steel Industry Calls for Local Competence and Value Adding

Siemens VAI is reorganizing its Russian business. “The share of Russian value added to our projects in the iron and steel industry will more than treble in the next two years”, Werner Auer, CFO of international plant builder Siemens VAI, announced to the press in Yekaterinburg on Thursday. “By acquiring other companies, establishing joint ventures and using our own resources, we intend to expand our network for engineering, plant and maintenance services in order to be closer to the customer”, said Andreas Lemp, who is responsible for business in the Russian iron and steel industry. Siemens VAI wants to double the number of Russian engineers to around 100 by 2009 and, above all, to increase its local activities in the plant modernization business with electrical and mechanical components, innovative automation solutions and plant upgrades.

Currently, Siemens VAI Russia is responsible for a project volume of around EUR 800 million in the Russian iron and steel industry and relies on the support of nine competence centers in Austria, Great Britain, France, Italy, Spain, Germany and the US. The focus of these projects is on iron and steel production plants, an area in which Siemens VAI is the market leader in Russia. The company's leading position in automation solutions for cold and hot rolling mills will also be exploited in order to increase its share of turnkey installations in this segment of the market. “We expect steel production, which is 66 million metric tons at the moment, to increase yearly by at least five per cent”, emphasized Auer. This growth in production, he continued, would

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be covered not so much by new plants but by improvements in the output of existing steel manufacturing facilities. “By strengthening our local modernization and maintenance portfolio, we will help to increase production and make the Russian steel industry more competitive”, said Auer.

The aim, Lemp emphasized, was to be able to acquire and handle projects worth up to around 250 million roubles in Russia. This mainly concerns maintenance-intensive products, the implementation of electrical components and automation solutions as well as plant modernization. Another focus, he said, would be on expanding spare-parts production in the company's own workshops as well as integrating clearly defined electrical and mechanical package solutions. The basis for this, he explained, would be systematic standardization of products and processes to increase the operational dependability of plants and considerably reduce downtimes.

“Innovative concepts and optimizing production processes represent an enormous potential for productivity increases with simultaneous cost reductions”, explained Lemp. Given their service life of 20 to 30 years, plants and processes are subject to permanent change. Like no other plant builder, Siemens VAI has a broad technological basis of mechanical solutions from electrical engineering to automation as well as comprehensive knowledge of metallurgical processes. On this basis, according to Lemp, “we can optimize our investment projects in the Russian steel industry and maintain the competitiveness of the companies there.”

Investment levels used to be the factor that decided whether locations and companies were competitive. In future, it will be the operating costs (OPEX), according to Lemp. For some steel manufacturers the proportion of energy and raw-material costs had risen from 30 per cent in the 1990s to 79 per cent today. Integrated plant solutions which constantly optimize production against the background of changing raw material prices, stricter environmental regulations and rising energy costs are becoming more and more attractive to customers. “We are the only plant builder to offer process know-how, plant technology and automation expertise to create integrated solutions from a single source that help to save energy and protect the environment. Our aim is to optimize production in respect of quality, costs and operational dependability – from ore extraction and slab

casting to the refined rolled product.”

Further information on solutions for steel works, rolling mills and processing lines is available at <http://www.siemens.com/metals>.

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