

Closing remarks by Mr. G. Hauser, Incoming ICF President

It's my pleasure to conclude this meeting. First however, I want to thank all the speakers and in particular Renate Mück and Otohata-san for the excellent job they have done in organizing such a very large meeting here in Beijing. Thank you very much!

I offer some personal thoughts. Some have said that we had a poor financial performance since 1997, that's true. That's true and I wonder why we had a poor financial performance? I think there are several reasons: One is external, the telecom bubble. It was in a way positive, because it was easy, as just mentioned a few minutes ago, to make a lot of money in optical fiber, when you have a queue of customers at your door. It's easy to increase prices. Personally speaking, when I look back at these years it was in fact for me more negative than positive.

But the most important point, and I ask you to think about it, is that the cable industry was not facing reality with sufficient courage. I am wondering how many companies, present in this room, are working on the cost curve, probably less than ten. I just want to tell you, that I worked more or less for 20 years in the aluminum industry, I remember 15 years ago, when in a similar international meeting a marketing director of one of the largest companies presented the first cost curve. It showed that two Venezuelan plants were the most efficient ones in the world in terms of total cost. It was a shock! After the meeting, most of the participants went to the speaker and said: It's totally impossible because my plants are by far the best in the world! Everybody at that time was thinking, it was Alcan first, then Alcore, etc. But in fact, it was true. Two Venezuelan plants were in first place and the cost curve showed an enormous difference between the first and the last one. It was a shock, but after the shock, as mentioned by our friend from McKinsey, we worked very professionally, and finally, today you know that the aluminum industry is in much better shape than the cable industry.

So, I just ask you, if you are courageous, and I know you must be, because you are the top executives of our industry. You need to work on your own cost curve and then make some benchmarks with some of your competitors. You will be surprised, that probably in terms of total cost some plants are twice as lean as others. This is the reason why we will have to continue restructuring efforts. Otherwise, the cable industry will not achieve its goal of approximately 12% for the necessary return on capital employed, as just mentioned. If we do not achieve such a return in the next coming years, it's obvious, that with such a very poor financial performance our shareholders, who are more and more short term oriented, will no longer be interested in our industry.

So we have to face reality and have to work, also in terms of marketing, trying to anticipate the offered demand balance for the next years. I am not very optimistic about that, because unfortunately I am still forecasting that the telecom business will continue to be extremely difficult for the next two or three years. I am also not so sure about the power cable industry, whether sufficient demand will be there due to the overall poor economic situation in the world. Therefore, we need to work to restore profitability. We have a lot to do and I will be happy, if our industry has made some progress by the time we meet in Vancouver.

Thank you very much and see you in Vancouver next year!